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COMPETITION AND PROFITS IN BREAD AND FLOUR

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LETTER

FROM

THE CHAIRMAN OF THE FEDERAL TRADE COMMISSION

TRANSMITTING

IN RESPONSE TO SENATE RESOLUTION NO. 163, SIXTY-EIGHTH CONGRESS, FIRST SESSION, A FINAL REPORT DEALING WITH CONDITIONS IN THE BREAD-BAKING INDUSTRY

This is the third volume transmitted pursuant to this resolution of the Senate. The first volume, "Competitive Conditions in Flour Milling," was printed as Senate Document No. 97, Seventieth Congress. The second volume, "Bakery Combines and Profits," was published as Senate Document No. 212, Sixty-ninth Congress

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WASHINGTON
1928

SUBMITTED BY MR. BRUCE

IN THE SENATE OF THE UNITED STATES,
May 2, 1928.

Ordered, That the report of the Federal Trade Commission on "Competition and Profits in Bread and Flour," transmitted to the Senate on January 12, 1928, be printed as a Senate document.

Attest.

EDWIN P. THAYER, *Secretary.*
By JOHN C. CROCKETT, *Chief Clerk.*

SUBMITTED BY MR. BRUCE

IN THE SENATE OF THE UNITED STATES,
May 3 (calendar day, May 5), 1928.

Ordered, That the illustrations accompanying the report of the Federal Trade Commission on "Competition and Profits in Bread and Flour," transmitted to the Senate on January 12, 1928, be printed as a part of said report.

Attest.

EDWIN P. THAYER, *Secretary.*
By JOHN C. CROCKETT, *Chief Clerk.*

FEDERAL TRADE COMMISSION

WILLIAM E. HUMPHREY, *Chairman.*
ABRAM F. MYERS.
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LETTER OF TRANSMITTAL

FEDERAL TRADE COMMISSION,
Washington, January 11, 1928.

SIR: I have the honor to transmit herewith the report of the Federal Trade Commission, entitled "Competition and profits in bread and flour." This report is submitted in further response to Senate Resolution 163, agreed to February 16, 1924, and is the final report in compliance with that resolution.

Preliminary reports in partial response to the resolution have heretofore been submitted to the Senate as follows:

First, on May 3, 1926, a report entitled "Competitive conditions in flour milling"; and

Second, a report dated February 11, 1927, entitled "Bakery combines and profits."

These investigations under and pursuant to resolutions passed by the United States Senate are necessarily ex parte proceedings, and the reports of the commission are not binding on the parties interested in the industries under investigation.

A representative of a group of persons interested in the industries involved asked permission to inspect the forthcoming report with a view to pointing out any errors or inaccuracies, if in his judgment any should be found. The commission by a divided vote—four to one—denied this request. In my opinion the request should have been granted.

I join in the vote to send this report to Congress, as contemplated by statute, but make this statement for the reason that I do not want my favorable vote on transmission to be taken as indicating that I vouch for the accuracy of the report. It is doubtless entitled to full credit due a report based on such ex parte proceedings.

The investigative methods employed are described in a foreword to the report, and the position of the majority is indicated thereby.

By direction of the commission.

WILLIAM E. HUMPHREY,
Chairman.

PRESIDENT OF THE UNITED STATES SENATE,
The Capitol, Washington, D. C.

LETTER OF SUBMITTAL

JANUARY 11, 1928.

The commission was directed by a resolution of the United States Senate to investigate the production, distribution, transportation and sale of flour and bread, and to report costs and profits at each stage of the process of production and distribution, the extent and methods of price fixing, price maintenance and price discrimination, the developments in the direction of monoply, and other evidence indicating restraints of trade.

Two preliminary reports have been issued under this resolution, one regarding competitive conditions in the flour-milling industry and another with respect to bakery consolidations and profits. Parts of these reports in an expanded form are included in this final report.

From 1922 to 1924 consumers paid retail grocers an average price of 8.549 cents for a pound of bread. Of this final sales realization the farmer received 1.145 cents, the miller 0.406 cent, the baker 5.110 cents, and the retail grocer 1.279 cents, excluding the cost of the wheat, flour, and bread to the miller, baker, and retail grocer, respectively, these latter items being omitted to avoid duplication. Transportation of wheat and flour and country and terminal handling charges absorbed the remainder of this total sales realization, amounting to about 0.6 of a cent.

There are two principal systems of commercial bread distribution—the wholesale system and the retail system. Under the wholesale system bread is sold through one or more middlemen. Under the retail system bread is sold by the bakery to ultimate consumers either through house-to-house delivery, over the bakery counter, or by retail chain stores having their own bakeries.

Probably one-half or more of the total commercial bread is produced and sold by a comparatively small number of companies. In 1925, 57 companies, including 3 chain-store systems operating 278 plants, produced and sold more than 30 per cent of the estimated total commercial production of that year. Detailed returns covering the marketing of bread were obtained by the commission from 147 large baking companies operating 355 plants. These companies distributed either wholesale or house to house exclusively, or combined both methods of doing business. More than 75 per cent of the plants reporting were engaged solely in wholesale business, and nearly 18 per cent combined wholesale and house-to-house business. The balance, or only 7 per cent, were exclusively house-to-house plants. Exclusively wholesale plants, however, reported nearly 79 per cent of the total bread sales of these plants, as compared with only 4½ per cent for the exclusively house-to-house plants. While certain of the plants do a limited amount of wholesale business through out-of-town agents, peddlers, and retail shipping customers, the great bulk of the business is done through the operation of wholesale or house-to-house routes, which may be either or both city and out of town. Weekly sales to customers of wholesale routes averaged $7.26 for bread, $1.44 for other bakery products, and $8.70 for the two com-

bined. On house-to-house routes the average customer bought 73 cents worth of bread and 22 cents worth of other bakery products, or a total of 95 cents for bakery goods each week. The average number of customers on wholesale routes was 58 and on house-to-house routes 255. The average volume of business reported per route was $503 per week for wholesale routes and $244 per week for house-to-house routes.

Bread is commonly sold for cash, but this statement is subject to considerable qualification on account of weekly and semiweekly settlements which are employed in the restaurant, hotel, institution, and chain-store business, and with housewives on house-to-house routes. On the latter routes in addition, weekly credit is frequently allowed on individual responsibility by driver salesmen, and sometimes on wholesale routes also.

While there is a good deal of active competition in the baking business it does not operate uniformly or steadily in many localities. Where restraining influences on competition in the baking industry were found to prevail they were made effective largely through the activities of national, district, or local baking associations or clubs. Of all these associations the American Bakers' Association has probably the largest membership of wholesale bakers extending over the widest territory. It has been active in the investigation and settlement of competitive issues between members usually through its industrial relations committee. A code of ethics, adopted as part of the association's by-laws, seeks to discourage all trade practices regarded as unfair by the association.

As an illustration of the work of the American Bakers' Association in settling price difficulties in the earlier years of the association's history, mention may be made of the fact that it was instrumental in bringing together in its Chicago offices representatives of Kappus Bros. (Inc.), a wholesale and retail bakery at Kenosha, Wis., and Ward Baking Co., which was shipping into Kenosha bakery products from its Chicago plant, offering one loaf of bread free with every five and urging the retailer to initiate lower prices. An agreement was reached, which, among other things required Ward to sell at prices set by the local bakers. Another such case came about through the reduction of bread prices at Kansas City by the Campbell Baking Co., a Ward & Ward (Inc.) subsidiary whose president was then president of the American Bakers' Association. Competing bakers complained that they had not had proper notice of the cut, that the cut was too great, and that the president of the association was not living up to its code of ethics, and demanded his resignation. This was tendered by the president and accepted by the association. The price dispute was referred to the industrial relations committee, which brought influence to bear on the management of the Campbell Baking Co. inducing it to return to its former higher bread prices. Other cases in the earlier years covered by the commission's inquiry in which the American Bakers' Association endeavored to give assistance in reaching settlements in "price wars" involve western Pennsylvania, the Northwest Pacific coast, Fort Wayne, Ind., Danville, Ill., Hastings, Mich., and Denver, Colo.

In 1924 local bakers at Pittsburgh made an attempt to increase prices by concerted action. A representative of the bakers was sent to New York City to secure the cooperation of the Ward Baking Co.,

National Biscuit Co., and the General Baking Co. In a letter to the American Bakers' Association, S. S. Watters, a local Pittsburgh baker and member of the board of governors of that association, stated that the two latter companies agreed that this emissary could represent them, but that Ward refused cooperation. He also said in his letter that little could be done through the association's executive committee. The secretary of the association sent a copy of Mr. Watters's letter to the chairman of the industrial relations committee, who in writing to Mr. Watters advised him to destroy any copies of it he might have, as he was doing with his, and to write more cautiously in the future. Owing to the inability of the Pittsburgh local bakers to persuade Ward to go along, the price per loaf was not advanced as planned and conditionally agreed to by the local bakers, but the price per pound was increased by reducing the size of the loaf while maintaining its price.

The work of another organization, the Associated Bakers of America, is carried on largely through the allied State associations such as the Associated Bakers of Illinois and Indiana Bakers Association and through district and local associations. The secretary of the association says concerning his official work for local groups: "It's a great deal of satisfaction attending these smaller meetings where the bakers need some practical help in ironing out their difficulties. One or two often keep many in red ink. Some of the work may touch on the illegal, but without it many would drag along broke or near broke."

The Associated Bakers of Illinois held 37 district meetings during its fiscal year 1924–25, at 11 of which its field secretary referred to the existence of agreements on prices or on practices directly affecting prices, such as premium giving, and at others there were attempts to come to agreements which were in some cases made successful at later meetings.

The Indiana Bakers' Association held numerous meetings for the purpose of adjusting prices and bringing bakers in surrounding territory into line. It has also been instrumental in organizing much of its territory into district and local groups. One of its district associations—the Tri-State Bakers' Club—made up of Indiana, Illinois, and Kentucky bakers, was formed at Evansville, Ind., in January, 1925, and effected an agreement at its organization meeting to advance prices.

The Potomac States Association, by discussion and through cooperation, has sought to eliminate price competition. Following a cut in the price of bread in the city of Washington, on April 27, 1925, initiated by the General Baking Co., the secretary of the association appealed to the American Bakers' Association to take some action in the matter, indicating that it was his belief that one of the functions of the association was to bring competing members together to discuss and agree on prices.

Members of the New England Bakers' Association are pledged by a code of ethics to the performance of certain trade practices and against the performance of certain other practices. The files of the association contain records showing that it has been instrumental in effecting many price agreements, some of which involved bread produced in one State and sold in another. According to representatives of bakers associations the price situation in New England is generally dominated by the larger companies, Ward, General, and

Continental. Such companies are often involved, if prices are "stabilized" satisfactorily to the trade. This is borne out by the correspondence of the association, whose activity has been constantly in the direction of holding the larger companies in line with the smaller. Here, as elsewhere, the fear of the smaller baker is that the larger companies will cut the price to a point which their costs will not permit them to meet.

Data on wholesale bread prices show that a pronounced decline has taken place in wholesale prices from the high levels of 1920, which in a general way have followed the trend of flour prices during that period. For nine important cities in various parts of the United States the maximum price occurred in 1920 and the minimum in 1922–23 or 1924, depending on the city. The average decline was about 26 per cent, but in Cleveland the decline was over 33 per cent. In 1925 an appreciable increase took place in the price of bread over 1924. This increase corresponded in some degree with increased costs of production, which in 1925 averaged more than two-fifths of a cent higher than in the preceding year. Simple average retail prices for 51 cities computed from the figures of the Bureau of Labor Statistics show that bread prices to consumers fell from 11.5 cents per pound in 1920 to 8.8 cents in 1922, a decline of nearly 3 cents per pound. The consumers' price remained at practically the 1922 level until 1925, in which year the price advanced approximately 0.6 of a cent per pound.

Profits of wholesale bakers have been comparatively high, however, in the six years 1920 to 1925. During this period the rate of return on the total baking investment, as shown by the companies' books, or as reported to the commission, was, before payment of Federal taxes, 14.90 per cent, and on the investment, as revised by the commission, averaged over 25 per cent. This period, however, was marked by a pronounced decline in the relative productivity of the baking investment. During the entire six years the volume of bread production and the value of sales of both bread and other products have declined almost continuously.

The four largest baking consolidations, all of comparatively recent organization in their present form, are the Purity Bakeries Corporation, operating 33 bakeries in 1926, the Ward Baking Corporation, operating 18, the General Baking Corporation, operating 42, and the Continental Baking Corporation, operating in the United States 91 bakeries. For the organization of the Ward, General, and Continental corporations, W. B. Ward was either directly or indirectly responsible. At one time or another, and until April, 1926, they have been affiliated through a community of stock ownership and of organizing personnel and through close association of managing personnel. Stock lists of the corporations as of October 31, 1925, showed that of the 14 men who were officers and directors of Ward Baking Corporation, 10 held stock in both Ward and Continental, 7 in both Ward and General and 7 in both General and Continental. Six of the 14 owned stock in all three corporations, their holdings in General and Continental being, on the whole, as large as in the Ward Baking Corporation. Through stock owned directly or through the Ward Foundation Corporation, W. B. Ward was, on December 31, 1924, the largest single stockholder in the Ward Baking Corporation. He was also the largest single stockholder in the Continental, holding 21 per cent of the voting stock of that organization. No other individual on that date owned as high as 5 per cent of the total. For a time all or a considerable part of the voting stock of the General Baking Corporation was also controlled by him. These three corporations, in which W. B. Ward and his associates were at that time interested, are operating at the present time approximately 150 bakeries with an estimated total bread production of nearly 20 per cent of the total commercial bread production of the United States.

On January 30, 1926, W. B. Ward caused to be organized the Ward Food Products Corporation under the laws of the State of Maryland which, in view of his earlier activities, had every appearance of being formed to take over and hold the stock of the three corporations in which W. B. Ward and his associates were interested. A few days later, therefore, the Department of Justice filed a bill in equity with the Federal court at Baltimore, not only against the Continental, but also against each of the Ward and General companies and various individuals alleging violation of the Federal antitrust laws, and asking for such injunctions against the companies and individuals as were deemed necessary to prevent violations of the law. A consent decree was entered by the district court of Baltimore, which ordered the dissolution of the Ward Food Products Corporation and the surrender of its charter to the State of Maryland and laid upon the several corporate and individual defendants certain restraints with respect to their future activities in interstate trade.

The bread business is primarily local for the reason that the product must reach the consumer while fresh and can only be distributed over a narrow radius from the plant. Data furnished by the Continental show that the percentages of total competing sales over State lines to total sales over State lines for companies subsequently consolidated were for bread 13.8 and for cake 14.4. How far reliance should be placed on these percentages, however, is doubtful, because the elements of comparison were not contemporaneous. For this reason additional statistical matter of a similar but more comparable character was requested of the Continental but was refused on the ground that it was impracticable to furnish it.

Because of the numerous consolidations which have taken place in the baking industry and the advantages claimed for such consolidations with reference to lower costs and prices, a comparison was undertaken of the costs of plants, of single-plant, and multiple-plant companies. Taking the results for the plants of single-plant and multiple-plant companies the latter showed lower costs, as a whole, but a large part of this apparent advantage disappears when the plants of these two types of companies are compared by corresponding size groups. On the basis of the comparisons made it is not clear that lower production costs are characteristic of plants of multiple-plant companies of sizes corresponding with those of the plants of single-plant companies. The study of wholesale baking plants by size groups indicates that in general the costs of the larger plants are appreciably lower than for the smaller plants, taken as a whole. On the other hand, very low cost plants are found in practically every size group, and a number of the small plants show as low costs as the largest.

Comparing the financial results of the Ward, General, and Continental baking companies with each other and with those of other

baking companies it appears that the first three companies combined earned a much higher rate of return on the baking investment, as revised by the commission, than other companies operating more than one plant. The latter in turn earned a somewhat higher rate than the single-plant companies. The results for the three largest companies, however, are due partly to the high rate of return earned by the General which was more than twice that of either of the other two companies. The slightly lower rate of return earned by the single-plant companies compared with the multiple-plant companies (other than Ward, General, and Continental) was caused partly by a lower sales realization per pound of bread; the single-plant group had, in fact, slightly lower costs per pound of bread.

Comparisons were also made of the financial results of wholesale and house-to-house and chain-store bakeries. The prices paid by the consumer for bread through these channels for the years 1923 to 1925 were approximately as follows per pound: Wholesale (including 1.21 cents for the retail grocer's margin) 8.636 cents; house-to-house, 8.933 cents; chain-store bakeries, 6.030 cents. These figures, however, involve several qualifications. The price through the wholesale system includes credit and delivery service to consumers on perhaps 60 per cent of the bread sold by the retail store. The house-to-house price includes limited credit to many consumers, in addition to weekly credit on an extensive scale allowed by drivers. The chain-store price is cash and carry.

Comparing the costs of bread in different cities it appears that ingredient costs are dominated by flour costs, which in turn are apparently influenced chiefly by the location of the city and consequently freight rates. With regard to manufacturing expense the indicated large differences between cities are apparently determined chiefly by the volume of production per man-hour, and this in turn is largely conditioned by the extent to which the plant is automatic.

Wholesale distribution in the flour industry, the second part of the inquiry, is handled through mill agents, brokers, jobbers, flour merchants, wholesale grocers, and blenders. In the smaller markets the local mills and mill branches and representatives apparently handle the bulk of the flour business. In the larger markets the mill branch offices of local marketing establishments probably supply the bulk of the family trade, while brokers and mill agents largely handle the bakery trade. Numerically the mill agents and brokers are the most important classes of distributors and probably handle the major portion of the product sold.

A study of the competitive conditions in the flour-milling industry indicated abundant potential competition, but frequent efforts to limit production among the millers by agreements and understandings to sell at a profit; by the exchange of information on selling prices; by agreements, understandings, or cooperation to fix the various elements of selling prices; by agreements and understandings and cooperation to fix uniform differentials on flour sold in different size packages or in different containers; by agreements, understandings, or cooperation regarding forward delivery of flour and carrying charges; by the adoption of a code of ethics which by its terms attempted to regulate in a number of respects the terms and conditions of the sale of flour.

In 1923 and 1924 the 90 flour-milling companies reporting to the commission earned slightly over 7 per cent on the milling investment in each year. The highest rate of return was earned by the northwestern mills (9.1 per cent), the lowest by the southwestern (4.9 per cent). The highest rates of return were earned by companies with an investment of $500,000 to $1,000,000, and the lowest by companies with an investment of from one to two million dollars. For 47 companies for which costs and profits are available from 1919 to 1924 the highest sales realization and profit were shown in 1920. In that year the sales realization was $11.73 per barrel and the average net profit 68 cents. In 1924 flour sold at $5.75 per barrel and the profit had fallen to only 24 cents. These conditions were reflected in the cost of bread production. In 1920, 36 baking companies operating 127 plants paid 4.48 cents for flour per pound of bread. In 1924, 70 companies and 223 plants paid 2.111 cents. Taking the whole six years for these 47 companies, the highest rate of return was shown by the group of companies having the smallest investment. The lowest rate of return was shown by the group with the next to the smallest investment, and the next to the lowest was for the group with the largest investment—$2,000,000 and over. Of the four companies showing a rate of return over 20 per cent, all had an investment of under $1,000,000, and of the five companies showing a rate of return between 15 and 20 per cent only one had an investment above $1,000,000.

In general, it may be stated that the cost of flour production for the various geographical sections of the country is determined primarily by the cost of wheat, this item constituting the great bulk of the cost of production. Less than one-third of the total flour output of the 90 companies for 1923 and 1924 was produced at a cost of between $4 and $5 per barrel, over 50 per cent between $5 and $6, and the balance at from $6 to $8 or more.

The estimated spread on wheat consumed by the domestic flour mills from producer to mill, was for the three years 1922–1924, 25.21 cents per bushel, of which about 55 per cent was for transportation, almost 20 per cent for country elevator gross margins, and the balance for the gross margins for terminal handling.

The inquiry has shown among other things that wholesale baking has in recent years been generally profitable. In several places price-cutting wars have occurred, sometimes initiated by the big bakery combines and followed by price-fixing agreements.

By the commission.

WILLIAM E. HUMPHREY,
Chairman.

FOREWORD

The facts presented in this report with respect to the various phases of the bread and flour industries were obtained from the following sources:

The description of the methods of marketing bakery products was obtained principally from a compilation of the replies furnished by baking companies to a questionnaire. This was supplemented by interviews with officials of many companies on particular phases of marketing.

The statement of the activities of the bakers' associations relating to competition in the industry consists chiefly of excerpts from correspondence files of the associations or of their members describing such activities in their own words. The rest of the material is drawn from stenographic and other reports made by field representatives who interviewed the bakery trade in all sections of the country reported on.

The prices of bread have been compiled (1) from answers to questionnaires submitted by the baking companies; (2) from the official statistics on bread prices published by the Department of Labor; (3) from a survey of selling prices to consumers of bread for nearly 2,000 retail grocers, delicatessen, and other retail merchants in nearly 150 cities in some 30 States.

The statements regarding bakery consolidations and their effect on competition were summarized (1) from documentary material and correspondence obtained from the baking companies, (2) from official files of the baking consolidations in the Department of Justice, (3) from the statistics of output and competitive sales furnished by the Continental Baking Corporation, and (4) from statements made by responsible officials of various companies.

The facts presented regarding the profits and costs of bread bakers were generally compiled from reports made by the individual baking companies, but in some cases the same facts were obtained directly by accountants of the commission from their books of account. The profits are shown both in the form employed by the companies and also in a revised form prepared by the commission.

The information on the methods of wholesaling flour was compiled from statements made to the representatives of the commission by various classes of flour millers and wholesale merchants.

The description of the competitive activities of the flour millers' associations consists chiefly of excerpts from their correspondence or from that of their members describing such activities in their own words.

The profits and costs of flour millers are presented in the form of a compilation of replies made by the flour millers to a questionnaire. In a few cases this same information was compiled directly from their books by accountants of the commission. The profits are shown both in the form employed by the companies and in a revised form prepared by the commission.

The margins for wheat handlers are compiled in part from reports made to the commission by companies dealing in wheat and partly from official reports of the Federal Government regarding wheat prices and the margins of middlemen.

The data on transportation charges of wheat and flour were procured from the Interstate Commerce Commission, and these charges were weighted by the commission in accordance with the quantity moving to different destinations.

The information on the proportion of the price of bread paid by the consumer, going to the various agencies of production, transportation and manufacture was compiled from the preceding data with reference to (1) transportation costs; (2) costs, profits, and margins of wheat handlers, flour millers, and bakers; and (3) margins of retail stores selling bread.

COMPETITION AND PROFITS IN BREAD AND FLOUR

CHAPTER I

ORIGIN AND SCOPE OF INQUIRY

Section 1. Origin.

This report has been prepared in response to a resolution of the United States Senate, approved February 16, 1924, reading as follows:

Resolved, That the Federal Trade Commission be, and it is hereby, directed to investigate the production, distribution, transportation, and sale of flour and bread, including by-products, and report its findings in full to the Senate, showing the costs, prices, and profits at each stage of the process of production and distribution, from the time the wheat leaves the farm until the bread is delivered to the consumer; the extent and methods of price fixing, price maintenance, and price discrimination; the developments in the direction of monopoly and concentration of control in the milling and baking industries, and all evidence indicating the existence of agreements, conspiracies, or combinations in restraint of trade.

Preliminary reports in partial response to the Senate resolution were submitted to the Senate as follows: "Competitive conditions in flour milling," dated May 3, 1926, summarizing the profits of flour millers and giving information relating to their efforts to restrain competition; and "Bakery combines and profits," dated February 11, 1927, describing the consolidation movement and summarizing the costs and profits of wholesale baking companies. Much of the matter appearing in these preliminary reports is included in this final report in amplified form.

Section 2. Scope and method.

In carrying out the directions of the Senate three various lines of inquiry were pursued. These related to the handling of wheat from producer to flour mill, flour milling, and bread baking.

WHEAT HANDLING

Gross margins for the handling of wheat were obtained by schedule from country elevators including the line, independent, and cooperative types. These were for the crop years 1920–21 to 1924–25. Included in the report for purposes of comparison are similar results for earlier years.

Because of the common practice of the country elevator of conducting the grain business jointly with other lines, such as coal, lumber, and feed, the handling costs for which can not easily be segregated, no attempt was made to separate the gross margins on the handling of wheat into costs and profits. For the same reason and because much of the investment is used in common by the various lines of the business no return on the investment could be shown.

The most important class of terminal middlemen is that of terminal elevator operators. Request was made of leading terminal elevator companies in Minneapolis, Kansas City, and St. Louis for financial results for recent years, but with the exception of three companies this request was refused. Based on the commission's earlier study

of terminal middlemen's margins (Vol. IV of The Grain Trade) therefore an estimate of the total of all terminal middlemen's margins on that portion of wheat which moves to flour mills was made for the three-year period 1922–1924.

An estimate for the same period of the transportation charges on wheat from country elevator to flour mill was also made. This estimate was based in part on the commission's study of such charges for an earlier period, such charges, however, including those on wheat moving to points for export.

A final figure covering all middlemen's margins for the handling of wheat moving from producer to flour mill and including transportation charges was then found for the three-year period 1922–1924.

FLOUR MILLING

In pursuing the inquiry relating to the production and distribution of flour, costs and profits of milling companies were obtained by schedule,[1] or directly from the books of the companies by the accountants of the commission, for the years 1923 and 1924, and competitive conditions among milling companies and milling associations were investigated. This branch of the inquiry relating to the flour industry was restricted to the period since 1922, because prior reports of the commission covered this industry for preceding years.[2]

Costs and profits in flour milling.—The figures on costs and profits in the present inquiry include 90 companies located throughout the country, including the Rocky Mountain and Pacific coast regions, and cover about 25 per cent of the total production. But several of the largest milling companies refused or failed to fill out the schedules requested. Washburn Crosby Co., Minneapolis, Minn., permitted accountants of the commission to fill out the schedule in the company's offices, but refused to permit the agents to bring away the completed schedule which the accountants had worked up, and also later refused to forward the schedule to the commission. Pillsbury Flour Mills Co., Minneapolis, Minn., refused to fill out the schedule and also refused to permit accountants of the commission to obtain the figures from the company's books and records.

In fact, several of the large companies most active in agreements, understandings, or cooperation to restrict competition in the sale of flour did not report their costs and profits for 1923 and 1924, although urgently requested to do so.[3] Such data from some of these companies were secured for the four years 1919–1922, inclusive, in a previous inquiry, and are included in the figures for that period which are shown in the present report.

Figures obtained in the prior inquiry for over 100 companies are given for 1919–1922, inclusive. These companies produced about 45 per cent of the total output. By using data obtained in this earlier inquiry and data obtained in this present inquiry for 1923 and 1924 it is possible to make clearer the recent developments and trend in the flour industry by showing the financial results for 47 identical

[1] For a copy of the schedule form, see Exhibit II, p. 107, of Competitive Conditions in Flour Milling, May 3, 1926.

[2] Report of the Federal Trade Commission on Commercial Wheat Flour Milling, Sept. 15, 1920; and report of the Federal Trade Commission on the Wheat Flour Milling Industry, May 16, 1924.

[3] For some of these companies the investment, income, and rate of return, for the years 1923–1926, have been compiled from published reports, such as "Poors," and are shown in appendix Table 21. However, because these data cover the later years, 1925 and 1926, there are included in this table some companies which reported to the commission for the years 1923 and 1924.

companies for the six-year period 1919–1924, inclusive. These 47 companies produced about 18 per cent of the total flour production.

Competition in flour milling.—The investigation on competitive conditions in the flour-milling industry consisted of interviews with the officers of millers' associations and milling companies; the examination of the records and correspondence of those associations and companies, when such examination was permitted; and requests for copies of specifically designated letters.

The inquiry into competitive conditions could not be completed because most of the larger milling companies that were active in furthering the agreements, understandings, and cooperation to restrict competition not only refused to permit the examination of their correspondence files on competitive practices but also refused to permit copies to be made of specifically described letters. The larger and most active of such companies were Washburn Crosby Co., Minneapolis, Minn., and Pillsbury Flour Mills Co., Minneapolis, Minn. Another large company active in such matters, Kansas Flour Mills Co., Kansas City, Mo., permitted examination of its correspondence but refused to permit copies to be made of the documents selected. The national association of millers, called the Millers' National Federation, which is controlled through plural voting by the larger milling companies, permitted examination of most of its correspondence but refused to permit copies to be made of any of the more than 300 documents selected. (See appendix, Exhibit I, p. 83, of Competitive Conditions in Flour Milling, May 3, 1926.)

Wholesale distribution of flour.—In addition to the costs and profits of milling companies and the conditions of competition in the milling industry the methods of wholesale distribution of flour were inquired into and are shown in this report. Various classes of distributors were called upon to furnish information, and the secretaries and other officials of many local flour clubs, as well as the secretary of the National Federated Flour Clubs, were visited. Generally speaking, full cooperation was accorded the commission's representatives by the trade visited in connection with this branch of the investigation.

BREAD BAKING

Marketing of bread.—For the purpose of ascertaining the methods of distribution employed by commercial bread companies, schedules inquiring as to methods of marketing were sent to the more important commercial companies known to be engaged in either wholesale or house-to-house business or both. Returns to these schedules were received from 147 baking companies operating a total of 355 plants. The returns included the four largest bread producers in the United States—Continental, Ward, General, and Purity—and also a number of other leading companies operating two or more plants. This information was obtained in the months immediately subsequent to May, 1926, and the survey may therefore be regarded as indicative of conditions about the middle of that year.

Of the 147 companies and 355 plants making schedule returns, 129 companies and 332 plants reported weekly sales amounting to slightly over $4,000,000, or at a rate of approximately $215,000,000 for the year. Based on census data for 1925, this sales volume was equivalent to about 31 per cent of the estimated total value of bread production in the year 1925.

Baking consolidations.—In answering that portion of the Senate resolution calling for the developments in the direction of monopoly and concentration of control in the baking industry, a study was made of the consolidation movement from its beginning, more than 20 years ago, down to the present. This was done by interview, by schedule, by correspondence, and by an examination of the correspondence files of baking associations and companies. Special attention was given to recent developments, including the organization of the large consolidations now operating, as well as Ward Food Products Corporation, a supercombination, which was dissolved under a consent decree entered in the District Court of the United States for the District of Maryland on April 3, 1926. This latter combination was apparently an outgrowth of extensive interlocking of interests in the large baking associations, information on which was secured by schedule and by an examination of correspondence files. A study of the effects of the Continental consolidation on competition was made by an examination of sales data supplied by the Continental Baking Corporation, which were secured by the company from its baking managers, 84 in number.

In the study of the consolidation movement, particularly in its recent developments, the commission has had the cooperation of the Department of Justice in permitting the examination of certain files relating to the matter.

Competition in the baking industry.—The inquiry into competitive conditions in the baking industry of a given locality or territory, included both the interviewing of the officials of bakers' associations and baking firms and the examination of the records and correspondence of selected associations and firms in so far as this was freely permitted. Frequently the officials of retail baking firms and of retail grocery firms selling the wholesale baker's bread were also interviewed. For this purpose many localities were visited by the commission's agents, while correspondence involving the conditions at many other points which could not be visited was examined.

With rare exceptions officials of baking associations accorded the commission the fullest cooperation possible both in permitting examination of office files and in explaining the work of the association. The correspondence files and other records of the following associations, among others, were examined and copies made of such files and records as seemed advisable:

American Bakers' Association, Chicago, Ill.
Associated Bakers of America, Retail and Wholesale, Chicago, Ill.
Associated Bakers of Illinois, Chicago, Ill.
Tri-Cities Master Bakers' Association, Rock Island, Ill.
The Bakers' Club of Chicago, Chicago, Ill.
Indiana Bakers' Association, Indianapolis, Ind.
Potomac States Bakers' Association, Washington, D. C.
New England Bakers' Association, Boston, Mass.
The Philadelphia Bakers' Club, Philadelphia, Pa.

With certain exceptions the correspondence files of the associations visited contained much less correspondence relating to questionable activities of associations or firms occurring after February, 1924, when the Senate ordered the inquiry into the baking industry, than prior thereto. The correspondence relating to several cases occurring during the two years prior to that date shows the nature and extent of the restraints that were put on competition.

Permission to examine the correspondence files and other records of the following wholesale baking firms was requested: Continental Baking Corporation, New York City; Ward Baking Co., New York City; General Baking Co., New York City; and Freihofer Baking Co., Philadelphia, Pa. The results of these requests are shown below.

The Continental Baking Corporation's permission for an examination of certain of the company's correspondence files by representatives of the Federal Trade Commission was first sought, June 21, 1926. The permission was granted, but the examination was twice postponed by G. G. Barber, at that time chairman of the board of directors. On July 28, 1926, the examination was begun and was continued until August 6, when on the urgent insistence of Mr. Barber the work was suspended until September 1. The examination was never resumed, because Mr. Barber declined further cooperation in this matter. The files to which access was given related almost wholly to accounting matters, adjustments of little differences arising with various plants of the company. They contained little, if anything, of value as reflecting on competitive conditions. It was almost immediately after access to other files was sought by the commission that a request for suspension of the examination was made by the company which finally resulted in its discontinuance.

Representatives of the commission requested the Ward Baking Co., June 7, 1926, to give access to certain of its files of correspondence—namely, between the company or any of its officers or responsible employees and its competitors, between the general office and its various branch managers, and between its various offices—the period being limited to the years 1924, 1925, and 1926 to the date of the examination. On June 10 the request was granted for the years 1925 and 1926 only.

As a result of the examination there were selected about 100 letters, telegrams, and other correspondence matter. Copies of these were requested but were refused by the company.[4] Request was then made of the company for a conference with principal officials on the contents of the selected correspondence. This was granted, and G. B. Smith, president of the company, and J. M. Barber, secretary-treasurer, were conferred with on September 21 and 22, 1926. The agents of the commission made notes of significant matters considered in the correspondence, together with the comments of the company's officials thereon, and this information in some instances has been used in connection with this report.

Access to the files of General Baking Co. was requested by representatives of the Federal Trade Commission and promptly granted by the company. Examination in which the company accorded complete cooperation was made for the period September 24 to October 7, 1926. Several letters were selected, and permission was given the commission to make copies of these. Moreover, the chairman of the company's board of directors, F. H. Frazier, furnished informative comments on the correspondence selected.

The Freihofer Baking Co., of Philadelphia, was requested in May, 1926, by representatives of the commission to permit an examination

[4] Seven letters relating to the marketing of bread, but having little competitive significance, were later loaned to the commission for a brief time for its study of marketing problems on condition that no copies be made.

of certain correspondence files. This request was refused. The principal reason given for this refusal was that the company regarded its business as purely local. Freihofer Baking Co., however, in addition to its 2 plants at Philadelphia and 1 at Camden, N. J., was operating at that time through Schulze Baking Co., Chicago, which it controlled by stock ownership, 11 plants in the Middle West. Moreover, the Freihofer interests included through Wm. Freihofer Baking Co., Philadelphia, the operation of 8 plants in Pennsylvania, Delaware, and New Jersey.

Prices of bread.—The study of prices of bread was confined largely to wholesale prices, because it was found impracticable to make a collection of statistics of retail prices over any extended period in the past. A brief discussion, however, is given of retail prices based upon the statistics regularly collected and issued by the Bureau of Labor Statistics of the United States Department of Labor.

The statistics of wholesale prices of bread were secured in part by means of schedules and in part through the commission's accountants in connection with the study of costs. For a small number of cities the period covered is for the six years 1920–1925 and for a much larger number for the three years 1923–1925.

Profits and costs of bread baking.—The financial results of bakers presented in this report are principally those of wholesale baking companies. The emphasis upon these companies is due in part to the fact that it was important consolidations among these bakers that gave rise to the inquiry. Moreover, the wholesale companies are by far the largest producing and selling organizations in the baking business. In addition, financial results were also obtained from a number of bakers engaged exclusively in selling house to house to the ultimate consumers, and for a number of bakeries operated by chain store grocery organizations.

The period covered by these figures is the six years 1920–1925. The smallest number of plants included in any year is 126 in 1920; the largest, 278 in 1925. The total volume of production included a range from 1,350,000,000 pounds in 1920 to 2,632,000,000 in 1925. The total commercial bread production of the 278 plants for 1925 is approximately 30 per cent of the estimated total commercial bread production of that year.

The results for the plants included in this study were obtained in part directly from the books by the commission's accountants and in part by schedules which were returned by the companies in question. No results are presented in the report for over-the-counter bakers. A careful survey of this type of establishment made by the commission's accountants in two cities indicated that any attempt to secure data from these establishments would be unproductive owing not only to the comparative lack of satisfactory accounts, but also to the fact that in a large proportion of these counter bakeries the bread business is combined with some other type of business such as ice cream, restaurant, and other miscellaneous lines and that no separate records of these businesses were maintained.

DISTRIBUTION OF THE CONSUMERS' PRICE OF BREAD

Under each of the main branches of the inquiry, as shown above, gross margins have been found for those engaged in the production and distribution of bread, including the producer of the wheat, the various wheat middlemen, the transportation agencies involved, flour miller, wholesale baker, and retail grocer. While from the point of view of production the natural order of treatment would be to begin with the handling of grain and then take up in succession flour milling and bread baking, the inquiry in its origin and also in its development was directed primarily to the bread industry, and the relation of the preceding stages of production was subordinate thereto. For this reason the detailed discussion of these various stages of the inquiry is presented in the following chapters in the inverse order—namely, bread baking, flour milling, and wheat handling—while the integration of all three of these parts to arrive at the distribution of the consumers' price of a pound of bread is given first of all.

CHAPTER II

DISTRIBUTION OF CONSUMER'S PRICE OF BREAD

Section 1. General statement.

There is presented in this chapter the distribution of the consumer's price of bread among the various producing, manufacturing, distributing, and transporting agencies employed in the production and distribution of bread manufactured by the exclusively wholesale bakers whose unit costs are included in this report.[1] These agencies include the producer of the wheat, elevator, and other wheat middlemen agencies, transportation agencies moving the wheat from country elevator to mill, the flour miller, transportation agencies moving the flour to wholesale baker, wholesale baker, and retail grocer. They do not include the manufacturing and distributing agencies for bread ingredients other than flour, the costs of which, amounting to about 30 per cent of the total ingredient costs, are included in the baker's gross margin above flour costs under the caption "Ingredient costs other than flour." (See Table 1 below.)

A period of three years, 1922–1924, has been taken in order that the resultant margins might not be affected by temporary fluctuations.

The margins shown for the various agencies are broad averages, i. e., they are for an average bread of many kinds and prices, for many wholesale bakers located in many places over a wide territory, and for a period of three years.

Section 2. The retail grocer.

A survey of retail grocers' gross selling margins on bread was made by the commission in the closing months of 1924 and the opening months of 1925. The reported sales were for one day for each grocer, and the survey covered 1,952 grocers, located in 148 cities and towns in 30 States. The bread under survey on a yearly basis would amount to about 95,000,000 pounds. In computing an average margin for the entire survey every reported margin in a city was weighted [2] by the number of pounds of bread reported as sold at that margin, and the resultant city margins were weighted by the population figures for the respective cities as reported by the census. The margin thus found was 1.279 cents per pound.[3] This added to the average realization of exclusively wholesale bakers for the years 1922–1924, 7.270 cents per pound, gives an average net realization price paid by the consumer for the bread of these wholesale bakers of 8.549 cents per pound for the three years, and a retail grocers' margin of 14.96 per cent of this retail price.

[1] Several of the wholesale baking plants whose unit costs are presented in this report are engaged also in the house-to-house retail business. In this chapter the costs and net realization on bread manufactured only by wholesale plants selling exclusively to retail grocers and in wholesale quantities to hotels, restaurants, etc. are included. For the three years here under consideration, 1922–1924, there were 147 plants for 1922, 199 for 1923, and 192 for 1924, the yearly average production reported by these plants for the three years being 1,613,000,000 pounds of bread.

[2] Instead of each margin being counted once before averaging each was multiplied by the number of pounds sold.

[3] While this margin was doubtless higher during the war and immediately following when wholesale bread prices were almost 50 per cent higher than in 1922–1924, there was only 0.1 cent per pound change in the yearly average price of wholesale bakers under survey from 1922 to 1924, and no reason is known for assuming the retail grocers' margin to have materially changed during this period.

The retail grocers' margin is usually in even cents, 1 cent or 2 cents on each loaf, but because of the great variation in the weight of loaves the average margin per pound falls in fractional cents. The margin per loaf, however, may also be in fractional cents if the wholesale or retail price per loaf sold in quantities is in fractional cents.

Section 3. The wholesale baker.

The flour costs of the average wholesale baker under survey were, for the three-year period, $6.156 per barrel, or 2.160 cents per pound of bread, and his gross margin above flour costs was 5.110 cents per pound, or 59.77 per cent of the retail price of bread. This gross margin is divided as follows: All costs except ingredient, 3.538 cents per pound of bread, or 41.38 per cent of the retail price; ingredient costs other than flour, 0.921 of a cent per pound, or 10.77 per cent of the retail price; and net profit, 0.651 of a cent per pound, or 7.62 per cent of the retail price.

Section 4. Transportation of flour.

The price of flour to the baker is generally the price at the baker's door. Obviously in such case the element of freight would not be segregated on his books. By means of a schedule returned to the commission by many of the wholesale bakers whose costs were furnished, data on flour purchases over a considerable portion of the period in question, including quantities purchased and locations of mills from which purchased, were ascertained. It was assumed that the ascertained purchases of the wholesale bakers of a given locality were representative of the purchases for the three-year period of all the wholesale bakers of that locality under survey, both as to mills from which purchases were made and as to proportions of purchases therefrom. By use of official freight tariffs there was then computed an average freight margin for the flour of these bakers under survey, amounting to 74.9 cents per barrel [4] for the three years. This is equivalent to 0.263 of a cent for the flour in a pound of bread, or 3.08 per cent of the retail price of bread. Deducting the freight margin from the price paid by the wholesale baker at his door gives the price paid at the mill, amounting to $5.407 per barrel of flour, or 1.897 cents for the flour in a pound of bread.

Section 5. The flour miller.

Schedule returns covering milling costs and profits were made to the commission for the three years 1922–1924—for 1922 by 101 flour mills and for each of the following two years by 90 mills.[5] The gross realization per barrel of flour for the three years was $6.18 for flour and $0.92 for feed, a total of $7.10. The wheat cost for both flour and feed was $5.58 per barrel of flour, leaving a total gross margin of $1.52 per barrel of flour. The total expense on both flour and feed was $1.24 per barrel of flour, leaving a net profit on both products of $0.28 per barrel of flour.

Assuming the wholesale bakers' flour, which was sold at an average mill price for the three years of $5.407 per barrel, to be a flour of lower average grade than that of all flour sales for the same period at $6.18,

[4] This margin is probably somewhat higher than that for the country taken as a whole, as the commission's cost figures are based upon a proportionately larger bread production for regions carrying high freight rates than for regions carrying low. On the other hand, the regions of densest population and consequent largest bread consumption carry on the whole high freight rates on the flour consumed, tending to raise the average freight margin to something above the simple average of freight rates from mills to bakeries.

[5] Based upon the census figures of 1923 and 1924, the flour production reported by these mills for the three years was almost one-third of that of the entire United States. The production for 1922 was not ascertained by the Census Bureau, and the production for 1923 is used for 1922. The output of mills whose products were valued at less than $5,000 was not included by the Census Bureau in its figures.

the difference in sales value being on account of a difference in grade,[6] costs may be deemed to vary with sales, costs of wholesale bakers' flour (together with the feed by-product) bearing the same relation to the costs of all flour sales (together with the feed by-products) as the gross realization from the former flour bears to that from the latter. The feed by-product is assumed to sell at the average price of 92 cents per barrel of flour (this being the figure reported in the schedules from the millers), making a total for both feed and wholesale bakers' flour of $6.327 per barrel of flour.

The average wheat cost for both wholesale bakers' flour and feed, thus calculated, is $4.972 per barrel of flour, and the average gross milling margin for both is $1.355.[7] The average wheat cost for flour alone is that proportion of the total wheat cost for both flour and feed that wholesale bakers' flour sales is of total wholesale bakers' flour and feed sales, amounting to $4.249 per barrel. This is 1.491 cents on the flour required for 1 pound of bread. A like proportion of the total gross milling margin gives the gross milling margin for flour alone, amounting to $1.158 per barrel, and for the flour required for 1 pound of bread, 0.406 of a cent, or 4.75 per cent of the retail price of bread. The gross milling margin on flour is divided as follows: Costs above wheat, 0.331 of a cent per pound of bread, or 3.87 per cent of the retail price; and net profit, 0.075 of a cent per pound, or 0.88 of 1 per cent of the retail price.

Section 6. Transportation [8] and terminal handling of wheat.[9]

Between country elevator and flour mill are terminal handling charges for a part and a transportation charge for practically all of the wheat.

No figures are available which show directly for the years 1922 to 1924, either the per bushel charges for the various terminal services or the proportion of wheat on the way from country elevator to mill bearing these terminal charges. For the crop year 1915–16, however, such a proportion was computed by the commission (The Grain Trade, Vol. III, p. 332), based upon wheat purchases reported by 198 wheat-flour milling companies. This proportion was 57.2 per cent of the total mill consumption. It was also found by the commission, by a survey of the wheat movement and an examination of charges, that the average terminal charges (handling, brokerage, and resale charges) per bushel on all wheat moving from country elevator to mills or other points of consumption and to ports for export were, for the years 1913 to 1917, 7.58 cents per bushel. (The Grain Trade, Vol. IV, p. 79.) From this was computed an average terminal charge of 11.4 cents per bushel on the average annual portion of the wheat movement for those years actually carrying terminal charges, and an average terminal charge of 6.5 cents per bushel on all wheat moving from country elevator to mill. This charge is taken as substantially correct for 1922 to 1924, as the commission has no information that the proportion of wheat moving to mill which carried terminal

[6] One milling company puts it this way: "The family trade supplied through grocery stores generally receives what we call our 'fine granulation grade' which, in our milling, is the choicest 50 to 80 per cent of our full straight. Most bakers, unless desirous of getting the same grade as going to the household consumer and willing to pay the difference in price, get what we call our 'coarse granulation grade,' which, as we run it, is the full straight." For two years prior to its report the "fine granulation" of this company had run 50 cents higher in price than its "coarse granulation." For differences due to discounts to large flour buyers, see p. 18.

[7] Hedging gains and losses are not included. These so far as reported amount to an average net loss of $0.054 per barrel for the three years.

[8] See Chap. XII, sec. 5, Transportation costs of wheat, pp. 462–464.

[9] See Chap. XII, sec. 4, Terminal middlemen's margins, pp. 460–462.

charges and the charges themselves had materially changed. The commission's inquiry into the charges for the year 1919–20 showed a very slight decline. (The Grain Trade, Vol. IV, p. 79.)

A freight charge of 9.18 cents per bushel for the wheat moving from country elevator to mill, for the years 1913 to 1917, has been estimated on the basis of an average charge computed by the commission for those years for all wheat moving from country elevator to points of consumption and export, viz, 11.08 cents. (The Grain Trade, Vol. IV, p. 79.) Freight rates on grain were on an average 50 per cent higher in 1922 to 1924 than in 1913 to 1917. This gives a computed margin for the transportation of wheat from country elevator to mill for 1922 to 1924 of 13.77 cents per bushel. The total gross margin for both terminal handling and transportation would thus amount to 20.27 cents per bushel, or 0.278 of a cent on the flour content of the wheat required for a pound of bread by the average wholesale baker under survey for the years 1922 to 1924. This is 3.25 per cent of the retail price.

Deducting the total of the average terminal handling and transportation margins of 0.278 of a cent on the flour content of the wheat required for a pound of bread from the price at the mill which it was found to pay for that quantity of flour, or 1.491 cents (p. 10 above), there remains 1.213 cents, the amount received by the country elevator for the flour content of each pound of bread.

Section 7. The country elevator.[10]

The country elevator's gross margin per bushel of wheat for the years under survey represents the elevator sales price at the elevator less its purchase price paid to the producer, and includes both operating costs and profit.[11] It is calculated from schedules furnished the commission by 154 elevators for the first year, 163 for the second, and 435 for the third. These elevators are located in 12 States and handled a total for the three years of over 36,000,000 bushels. The gross margin averaged for the three years for each bushel of wheat 4.94 cents,[12] and for the flour content of the wheat required for a pound of bread by the average wholesale baker under survey 0.068 of a cent or 0.79 per cent of the retail price.

Section 8. The producer of wheat.

Deducting the gross margin of the country elevator from the price it received at the elevator for the flour content of the wheat required for a pound of bread, there remains 1.145 cents, the amount received by the producer for the flour content in each pound of bread, or 13.40 per cent of the retail price. The producer's gross margin on the flour content of the wheat required for a pound of bread includes all his various expenses as well as a return on investment and land, if any. Information is not at hand whereby a separation of this gross margin into its various components may be made.

The average price received by the producer per bushel of wheat is for the flour content, not of a particular grade but of the average grade of flour, as well as for feeds, etc. Based upon the average

[10] See Chap. XII, sec. 3, country elevator margins, pp. 455 to 460.

[11] Because of the common practice of the country elevator of conducting the grain business jointly with other lines, such as coal, lumber, and feed, the handling costs for which can not easily be segregated, no attempt is made to separate the gross margin on the handling of wheat into costs and profit.

[12] Hedging gains and losses are not included. These so far as reported amount to an average of only a tenth of a cent per bushel loss for the three years.

price paid by millers for wheat for the three years, as reported by them to the commission, and upon the above margins for grain middlemen and transportation charges, this price averaged for this period almost 97 cents per bushel.

Section 9. Summary of margins.

The margins of these various agencies employed in the production and distribution of the wholesale baker's bread are presented below in tabulated and graphic forms, both in cents per pound of bread and in percentages of the retail price. The margins of the flour miller and wholesale baker are also separated into costs and profits. There are also presented in the table (last column) the wheat cost to the country elevator and miller of the flour required for 1 pound of bread, the cost to the wholesale baker of a like quantity of flour, and the cost to the retail grocer of 1 pound of bread.

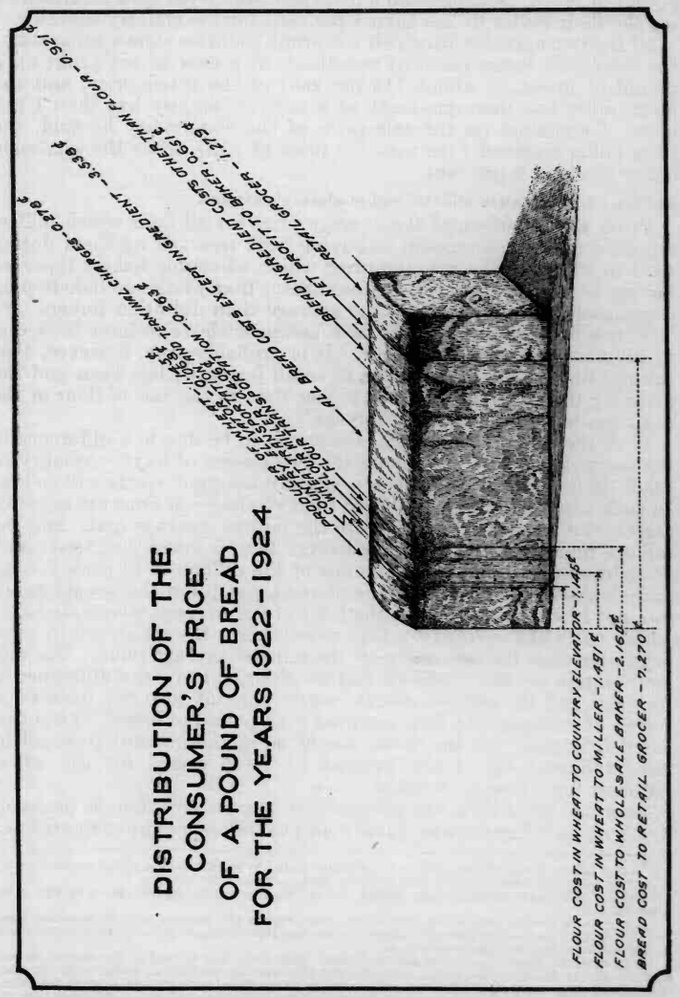
TABLE 1.—*Distribution of the consumer's price of a pound of bread, for the years 1922–1924* [1]

Item	Margins		First cost; cents per pound of bread
	Cents per pound of bread	Per cent of retail price	
Producer of wheat		1.145	13.40	
(Price received by producer, covering all costs and net profit on flour content of wheat required for 1 pound of bread.)				
Country elevator		.068	.79	[2] 1.145
(Gross margin including all costs above wheat cost and net profit on flour content of wheat required for 1 pound of bread.)				
Transportation and terminal agencies for wheat		.278	3.25	
(Gross margin including all costs and net profit on flour content of wheat required for 1 pound of bread.)				
Flour miller		.406	4.75	[3] 1.491
(Gross margin including all costs above wheat cost and net profit on flour required for 1 pound of bread.)				
1. Costs above wheat	0.331		3.87	
2. Net profit	.075		.88	
Transportation agencies for flour		.263	3.08	
(Gross margin including all costs and net profit on flour required for 1 pound of bread.)				
Wholesale baker		5.110	59.77	[4] 2.160
(Gross margin including all costs above flour cost and net profit on 1 pound of bread.)				
1. All costs except ingredient	3.538		41.38	
2. Ingredient costs other than flour	.921		10.77	
3. Net profit	.651		7.62	
Retail grocer		1.279	14.96	[5] 7.270
(Gross margin including all costs above bread cost and net profit on selling 1 pound of bread.)				
Total gross margins (retail price)		8.549	100.00	

[1] This table is for the bread manufactured by the exclusively wholesale bakers whose unit costs are included in this report.
[2] Cost to country elevator of flour in wheat required for 1 pound of bread.
[3] Cost to miller of flour in wheat required for 1 pound of bread.
[4] Cost at baker's door of flour required for 1 pound of bread.
[5] Cost of bread to retail grocer.

The margins shown in table and chart are for services dissimilar in kind and amount. That shown for producer, as designated in the table, is a price rather than a margin, including not only net profit but all costs. The figure shown for all other factors is a gross margin which includes net profit but does not include the cost of the merchandised commodity or the principal ingredient of the product manufactured. In the case of the wholesale baker, costs of ingredients other than flour are included in the margin. Except for flour miller and wholesale baker net profits could not be segregated.

Of the retail price of a pound of bread, approximately 8½ cents, the wholesale baker received as gross margin about 60 per cent, or



over 5 cents, which includes both net profit and all costs except that for flour. If not only flour but all other ingredient costs are excluded, the gross margin is reduced to 49 per cent of the retail price. The retail grocer's gross margin was approximately 1½ cents per pound,

or 15 per cent of the retail price, while the producer received for the wheat in 1 pound of bread slightly more than 1.1 cents, or about 13½ per cent of the retail price. Each of the remaining factors received a gross margin of less than 1 cent of the retail price of a pound of bread, ranging from a little less than 5 per cent of this price for the flour miller to less than 1 per cent for the country elevator.

Of the two agencies for which net profit could be shown separately, the wholesale baker received two-thirds of a cent as net profit on a pound of bread, or about 7½ per cent of the retail price, and the flour miller less than one-tenth of a cent, or slightly less than 1 per cent. Calculated on the sale price of the commodity he sold, the flour miller received 4 per cent (on price at mill), while the wholesale baker received 9 per cent.

Section 10. Alternative millers' and producers' margins.

From a comparison of the average price for all flour which millers reported to the commission as having been received by them during 1922 to 1924 and the average price which wholesale bakers reported having been paid by them, it would seem that wholesale bakers paid considerably less for flour on the average than did other buyers.

This difference in price has been assumed above to have been due to difference in quality of flour. It is probably true, however, that competition in the sale of flour to small buyers is less keen and the price for that reason somewhat higher than in the sale of flour of the same grade to large contract buyers.[13]

If all the difference in price is assumed to be due to a difference in the competition existing among the two classes of buyers, quality or grade of flour being the same, a slightly different result will follow. In such case costs [14] chargeable to the two classes of flour are approximately the same; that is, they are the millers' average costs, and the millers' margin on the wholesale bakers' flour is lower than that on all flour by approximately the amount of the difference in price for the two classes of flour. Under the above assumption this would result in a net loss to the miller on the flour of the average wholesale baker whose costs are covered by this report, since the difference in price is greater than the net profit on the millers' average flour. The millers' margin on the wholesale bakers' flour, that is, the difference in its price and its cost for wheat, would amount to 0.193 (instead of 0.406) of a cent on the flour required for 1 pound of bread. The other chief difference [15] in the result would be in the amount received by the producer, viz, 1 352 (instead of 1.145 cents) for the wheat required for 1 pound of bread.

As a matter of fact, the difference in the price of flour is probably due both to differences in quality and to differences in competition.[16]

[13] A high official of the Millers' National Federation stated to representatives of the commission that it was his belief that discriminatory flour prices to the large baker were common.

[14] Costs of wheat and operating costs. Selling costs might differ somewhat, but how or to what extent is not known.

[15] The country elevator margin and that for the transportation and terminal agencies for wheat would be 0.069 and 0.283 of a cent respectively—slightly higher than those shown on p. 12 due to the slight change in ratio between flour and feed realizations.

[16] The wholesale bakers' flour price and the millers' price of all flour as used in this chapter are both true averages for the three-year period. Since all flour sales were not available for either of the two classes of flour and the proportions available as well as average prices varied somewhat as between the years, a simple average of the true yearly averages might be more representative of all sales of each class than true averages for the three-year period. Should simple averages of the true yearly averages be used, the difference in the average price for the two classes of flour would be reduced by about 13 cents per barrel.

PART I

BREAD INDUSTRY

PART I. BREAD INDUSTRY

CHAPTER III

MARKETING BREAD

Section 1. Types of distribution in relation to the inquiry.

The resolution of the Senate under which this inquiry was made directed the commission to investigate, among other things, the distribution of flour and bread. Because a clear understanding of other phases of the inquiry, such as the activities of the large baking consolidations, baking profits and costs and other conditions in the baking industry, is dependent upon an understanding of the methods of bread distribution, this study is presented here. Methods of flour distribution are presented elsewhere.

Types of bread distribution.—There are in the United States two major types or systems of commercial bread distribution—wholesale and retail. The wholesale system, employed chiefly by the larger bakers, consists in distributing bread through one or more middlemen for resale to the ultimate consumer. The retail system, on the other hand, involves the distribution of bread by bakeries directly to the ultimate consumer.

For each of these systems there are several different methods of marketing the product. Under the wholesale system bread is distributed chiefly through the operation of city and out-of-town wholesale wagon or auto truck routes to retail grocers, delicatessens, meat markets, and smaller establishments. In addition many wholesale bakers do a considerable volume of what may be termed miscellaneous wholesale business.

The retail system of bread distribution may be divided into three major groups or classes: (1) House-to-house retailing, (2) "counter" sales, and (3) chain-store bakery distribution.

(1) House-to-house retailing, as the term implies, consists in the sale and delivery of bread by the baker to the consumer at his own door. (2) "Counter" retailing is employed by thousands of small bakers scattered throughout the United States who operate a baking establishment and sell their products directly to consumers over the bakery counter. (3) The chain-store system of bakery distribution is a recent development and consists in the operation of baking plants by several of the larger chain-store systems for their own trade. These baking plants produce and deliver bread to the various stores owned by the chain-store system and the stores sell the bread over the counter to the consumers. No bread is sold by the chain-store bakery except to customers of its various stores. This system has been developing rapidly since about 1922 and over a quarter billion pounds of bread were distributed in 1925 by about 20 of these plants which reported their sales to this commission.

There are some companies and plants engaged exclusively in either wholesale, house-to-house, or counter business. On the other hand, a large proportion of all baking companies employ two or more

methods of distribution. Companies with wholesale routes frequently operate house-to-house routes also, and either or both of these types of route business may be combined with some one or more miscellaneous wholesale methods. Some bakeries selling over the counter, sell also wholesale or both wholesale and house-to-house. On the other hand, many bakeries selling chiefly wholesale and house-to-house sell also over the bakery counter directly to consumers. The volume of the latter business, however, is so small in comparison with the total that it may be regarded as negligible in the case of the large plants.

Census classification of bakeries.—This frequent combination of two or more methods of marketing bread is indicated by the preliminary census figures for the year 1925. In that year 16,915 baking establishments reported their methods of distribution which were tabulated by the census as follows:[1]

	Number of establishments	Per cent of total establishments
Wholesale only	2,258	13.3
Retail counter only	6,886	40.7
House-to-house only	1,614	9.5
Wholesale and retail counter only	4,578	27.1
Wholesale and retail counter and house-to-house	1,330	7.9
Wholesale and house-to-house only	249	1.5
Total	16,915	100.0

Over 36 per cent of the reporting establishments according to these figures were employing two or more methods of distribution. While these figures are for all bakery establishments the results probably would not be substantially different were bakeries not producing bread excluded since this commodity is produced by the great bulk of all baking plants. Among bakeries the most important class numerically is the bakeshop which sells its products across the counter to the consumer either on a cash or credit basis. According to the above census figures there were 6,886 of these exclusively counter bakeries in 1925 or about 41 per cent of the total number of establishments reporting methods of distribution. Many counter bakers, however, also operate one or more wholesale or retail routes. The census reports for 1925 show that 4,578 establishments conducted a wholesale and retail counter business but did not retail from house to house, and that 1,330 conducted both a wholesale and a counter business and also retailed from house to house. Presumably these are chiefly, if not entirely, counter bakeries operating one or more wholesale routes in the former case and both wholesale and house-to-house routes in the latter. The former group comprises 27 per cent of the total of 16,915 establishments reporting methods of distribution, the latter a little less than 8 per cent. From these figures, therefore, it appears that approximately 75 per cent of the total bakery establishments do a counter business.

[1] In the census tabulation chain-store bakeries were not separately classified but were included in whichever one of the six census marketing groups they reported. Presumably this was wholesale in most cases, though since the bread is sold through their own stores some may have classified themselves as operating retail shops.

Importance of large bakeries and the consolidation movement.—There is every reason for believing that the volume of bread produced by a large proportion of the bakery establishments doing a counter business as well as that of a large number of wholesale and house-to house bakeries is relatively small. Although about 75 per cent of the total number of plants reporting to the Census Bureau do a counter business, it seems probable that they produce a much smaller percentage of the commercial bread and that one-half or more of such bread is produced by a relatively small number of large bakeries and a smaller number of companies. This is indicated by the fact that in 1925, 166 plants operated by Ward, Continental, General, and Purity produced over 1,700,000,000 pounds of bread, or about 20 per cent of the total commercial bread production of the United States in that year, and that in the same year 57 companies operating 278 plants, including 20 chain-store bakeries, produced and sold over 2,600,000,000 pounds of bread or more than 30 per cent of the estimated total production.[2]

The large proportion of the total production which is represented by a comparatively few companies is the result of the fact that many of these companies are consolidations of previously existing companies. This consolidation movement in the bread-baking industry began in 1907 with the combination of seven St. Louis plants to form the American Bakery Co., followed shortly thereafter by several other consolidations. In 1911 the General Baking Co. embracing 21 plants was organized and in 1912 the Ward Baking Co. with eight bakeries. These were especially important. Numerous other consolidations followed in succeeding years.

In 1921 a movement toward the reconsolidation of various earlier combinations began with the formation of the United Bakeries Corporation.

This movement culminated in the formation of the Ward, General, Continental, and Purity companies in the period 1923 to 1925, and the attempted supercombination of the first three of these companies in the Ward Food Products Corporation in 1926.[3]

Types of distribution of consolidations and single-plant companies.—Because of the importance of large baking companies the commission's study of bread distribution was confined chiefly to these organizations. For the purpose of ascertaining their methods of distribution, schedules were sent to the more important baking companies known to be engaged in either the wholesale or house-to-house business, or in both branches. Returns were received from 147 companies operating a total of 355 plants and including the four largest bread producers in the United States; that is, Continental, Ward, General, and Purity. The information in question was obtained in the months immediately subsequent to May, 1926, and the survey, therefore, may be regarded as indicative of conditions about the middle of that year. The proportion of the total commercial bread business of the United States which was included in this survey is indicated by a comparison of the sales reported by 129 of these companies operating a total of 332 plants in comparison with the total value of commercial production as reported by the census for 1925 (preliminary figures).

[2] For computation of this estimated production see footnote 4, p. 20.
[3] See chapter VII for detailed presentation of the consolidation movement.

In that year the total value of the commercial bread production of the United States may be estimated at $688,595,293.[4] In the middle of 1926 these 129 companies and 332 plants reported weekly sales of bread amounting to $4,148,056, or at the rate of $215,698,912 for the year. Thus the volume of sales reported for these companies in 1926 is equivalent to about 31 per cent of the estimated total value of the bread production of the year 1925. This study of the marketing of bread, therefore, is based upon returns made by companies and plants comprehending about one-third of the total commercial distribution. It is obvious that if the production and distribution of the chain stores and counter bakeries were excluded from the census results that the figures in question would cover a very much larger proportion of the remaining bread production and distribution.[5]

Information derived from the schedule referred to above shows that the business of the four largest consolidations, Continental, Ward, General, and Purity companies, is chiefly wholesale, the proportion for the companies combined being almost 92 per cent of the total weekly business of $2,581,000. A small percentage of this wholesale business is other than route business. Slightly more than 8 per cent of the total is house-to-house. The business of Ward and Purity, however, is exclusively wholesale. The Continental had 9 per cent house-to-house and the General almost 15 per cent. Selling and delivery costs, which could not be separated as between the two types of business, are, other things being equal, naturally higher on house-to-house business than on wholesale owing to the smaller volume of sales both per customer and per route. (Tables 20 and 24 and 21 and 25.) However, both the General and Continental companies, which have a small proportion of house-to-house business, show a lower distributing expense than either Ward or Purity, which are engaged exclusively in wholesale business. The foregoing conditions are shown more fully in the table below, except that selling and delivery costs for individual companies are omitted:

[4] The total value of bread, rolls, and coffee cake produced by 7,528 establishments which reported value of the products in detail was $594,377,068, and their total value product $1,075,065,813. The total value product of 10,153 bakeries not reporting products separately was $192,791,356, or 15.2 per cent, of the total value of $1,267,857,169 for all 17,681 establishments reporting. Assuming that the value of the bread production unreported bore the same ratio to the value of the bread reported as the total value product of the bakeries not reporting in detail bore to the total value product reported for all bakeries, the value of the total bread production may be estimated at approximately $688,595,293. The total bread production of the 7,528 establishments which reported their products in detail was 7,323,703,237 pounds. Making similar assumptions to the foregoing the total commercial bread production for 1925 may be estimated at 8,637,061,601 pounds.

[5] In this connection it is proper to point out that the volume of sales reported by the companies and plants studied by the commission is only approximate. It is compiled by adding together the total number of routes and of wholesale distributors for each company and plant multiplied by the average weekly volume reported as sold per route or per distributor, as the case may be.

TABLE 2.—*Bread sales by types of distribution and selling costs for specified consolidations and groups of multiple and single plant companies*

[Sales on weekly basis as of middle of 1926; costs, an average for 1925]

Companies and groups	Number of plants[1]	Bread sales, weekly basis								Selling and delivery costs (cents per pound)
		Wholesale						House to house		
		Route		Miscellaneous		Total				
		Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	
Large consolidations:										
Continental	83	$914,138	83.8	$78,276	7.2	$992,414	91.0	$98,216	9.0	-------
Ward	16	435,510	100.0	-------	------	435,510	100.0	-------	------	-------
General	38	659,243	83.4	16,613	2.1	675,856	85.5	114,626	14.5	-------
Purity	23	264,875	100.0	-------	------	264,875	100.0	-------	------	-------
Total	160	2,273,766	88.1	94,889	3.7	2,368,655	91.8	212,842	8.2	1.662
Other multiple-plant companies (8): Total	40	396,746	74.0	6,683	1.2	403,429	75.2	133,051	24.8	1.885
Large single-plant companies: Total	6	144,461	87.7	20,350	12.3	164,811	100.0	-------	------	1.384
Other single plant companies: Total	22	125,412	82.5	8,148	5.4	133,560	87.9	18,398	12.1	1.550

[1] The number of plants given is that for which the bread sales are shown. The number of plants represented by the selling and delivery costs which were of a different date are slightly different.

There are also shown in the table above the combined results for 8 multiple-plant companies operating 40 plants and doing an average total weekly bread business of $536,000. Of this total, 25 per cent is house-to-house and only 1 per cent miscellaneous wholesale, the balance being wholesale route business. The selling and delivery costs for this group were almost 1.9 cents per pound of bread, a little over 0.2 of a cent higher than those for the combined group of large consolidations considered above. The two companies in this group having the highest percentages of house-to-house business had also the highest selling costs per pound.

The table also shows the combined results for six large single-plant companies having average total weekly bread sales of $165,000. This business is all wholesale, 12 per cent being other than route business. The average selling and delivery costs for the group are not quite 1.4 cents per pound.

Finally, the combined results are shown for a group of smaller single-plant companies, operating 22 plants and having average total weekly sales of $152,000, of which 12 per cent is house-to-house and 5 per cent miscellaneous wholesale. Practically all of this house-to-house business is done by two exclusively house-to-house companies. The average selling and delivery costs for this group are 1.55 cents per pound, somewhat higher than those for the other group of single-plant companies, probably due to house-to-house business.

The combined bread sales of the companies shown in this table representing probably three-fourths of the total sales of the companies returning the marketing schedules are predominantly of the wholesale-route type. No counter sales are there shown, the amount of such sales by these companies being negligible. The percentage

of house-to-house sales is not large, though these sales are of considerable importance. Of the 40 companies included in the table only 11 do any house-to-house business, and many of the plants of the latter companies are exclusively wholesale. Thus the importance of the wholesale type of distribution is evident.

Section 2. Relative importance of bread and other bakery products.

Exclusively bread and combination companies.—While a considerable proportion of the baking companies studied by the commission is engaged exclusively in the production and distribution of bread, a much larger proportion is engaged in the distribution of both bread and other bakery products. Cake is the product other than bread most commonly produced by these combination companies, but some of them also produce pie, pastry, and other "sweet goods."

In the case of multiple-plant companies, that is, companies operating two or more plants, one or more of these plants were in a number of cases devoted exclusively to the production of other bakery products than bread, but these plants were eliminated not only from the plant tabulations but also from the company results. For this reason it should be understood that the figures presented for other bakery products, either in the company or plant results, represent only distribution for those establishments selling other bakery products in addition to bread and do not, therefore, show the total distribution of other bakery products by the companies represented herein.

TABLE 3.—*Number and weekly sales of 129 commercial baking companies [1] selling bread and bread and other bakery products in 1926*

Companies producing—	Companies		Bread sales			Other bakery-product sales		Total sales		
	Number	Per cent	Amount	Per cent	Sales per company	Amount	Sales per company	Amount	Per cent	Sales per company
Only bread	41	31.8	$266,247	6.4	$6,494			$266,247	5.3	$6,494
Bread and other products	88	68.2	3,881,809	93.6	44,111	$874,515	$9,938	4,756,324	94.7	54,049
Total	129	100.0	4,148,056	100.0	32,156	874,515	6,779	5,022,571	100.0	38,935
Per cent distribution, bread and other products:										
Combination companies				81.6	81.6	18.4	18.4		100.0	100.0
All companies				82.6	82.6	17.4	17.4		100.0	100.0

[1] There are included in these figures all companies which could be tabulated for bread and bread and other bakery products separately. Total sales of some of these companies could not be separated and used by methods of distribution. In consequence the sales by type of distribution are for a smaller number of companies and a smaller amount of business.

About one-third of the companies reporting to the commission (31.8 per cent) were engaged exclusively in the production and distribution of bread. Most of these companies were relatively small single-plant affairs averaging only $6,500 bread business per week as compared with bread sales of companies selling bread and also other products averaging $44,000 per week. Though comprising nearly one-third of the total number of companies reporting, the exclusively bread companies had less than 7 per cent of the total bread sales of all companies.

It will be noted that the average sales of other bakery products per company for the combination companies averaged about 50 per cent higher than the total bread sales of the exclusively bread companies. Bread comprises a little over 80 per cent of the sales, both for all companies and for combination companies.

Exclusively bread and combination plants.—While the proportion of plants engaged exclusively in the production and distribution of bread is but little greater than the proportion of exclusively bread companies, their average volume per plant ($11,356) is much greater than the average volume for the exclusively bread companies ($6,494), while their total volume is several times greater. According to these plant figures, slightly more than one-third of the total commercial baking plants (34 per cent) produce bread exclusively and these have a little less than one-third of the total bread sales (30.9 per cent).

The total weekly sales of the combination plants exceed those of the exclusively bread plants by about $5,700 per week or over 50 per cent. This large excess, however, is due chiefly to the sales of other bakery products, the bread sales of the combination plants being only about $1,700 per week, or a little over 15 per cent more than those of the exclusively bread plants.

In plants producing both bread and other bakery products, bread comprised a little over three-fourths of the total sales (76.6 per cent) as compared with a little over four-fifths of the total sales (82.6 per cent) for both exclusively bread and combination plants together.

TABLE 4.—*Number and weekly sales of 113 commercial baking plants [1] selling bread only and 219 plants selling bread and other bakery products in 1926*

	Plants		Bread sales			Other bakery-product sales		Total sales		
	Number	Per cent	Amount	Per cent	Sales per plant	Amount	Sales per plant	Amount	Per cent	Sales per plant
Only bread	113	34.0	$1,283,254	30.9	$11,356			$1,283,254	25.5	$11,356
Bread and other products	219	66.0	2,864,802	69.1	13,081	$874,515	$3,993	3,739,317	74.5	17,074
Total	332	100.0	4,148,056	100.0	12,494	874,515	2,634	5,022,571	100.0	15,128
Per cent distribution bread and other products:										
Combination plants			76.6		76.6	23.4	23.4		100.0	100.0
All plants			82.6		82.6	17.4	17.4		100.0	100.0

[1] There are included in these figures all plants and sales which could be tabulated for bread and bread and other bakery products separately. Total sales of some of those plants could not be separated and used by methods of distribution. In consequence the sales by type of distribution are for a smaller number of plants and amount of business.

Section 3. Relative importance of wholesale and house-to-house business.

Companies.—As already indicated the large commercial baking companies may distribute either wholesale or house-to-house exclusively or may combine both the wholesale and house-to-house business. The Ward Baking Co., for example, operating 16 plants in 1926 was engaged exclusively in the wholesale business. Similarly, at the time it filed reports with the commission the Purity Bakeries Corporation was operating 23 plants engaged exclusively in wholesale business. The Charles Freihofer Baking Co. of Albany in the same year was operating three plants which were selling almost exclusively

house-to-house.[6] The General Baking Co., on the other hand, does both a wholesale and house-to-house business, as does also the Freihofer Baking Co. of Philadelphia.

As appears from the following table, over 60 per cent of the bread companies studied by the commission were engaged exclusively in wholesale distribution and less than 10 per cent were exclusively house-to-house distributors. About 30 per cent of the companies, therefore, combined the two types of business.

TABLE 5.—*Relative importance of specified types of bread distribution for 147 commercial baking companies*[1] *in 1926*

Method of sale	Companies reporting method of distribution		Reports of weekly bread sales			
			Companies		Sales	
	Number	Per cent	Number	Per cent	Amount	Per cent
Wholesale only	90	61.2	78	62.9	$1,478,964	35.9
House-to-house only	12	8.2	9	7.3	48,143	1.2
Wholesale and house-to-house combined	45	30.6	37	29.8	2,586,142	62.9
Total	147	100.0	124	100.0	4,113,249	100.0

[1] This table includes only those companies and volume which could be separated according to type of distribution employed.

Nearly two-thirds of the bread business, however, was done by the combination wholesale and house-to-house companies.

Plants.—A situation somewhat similar to the foregoing also exists in the case of the plants as distinct from the companies. Some plants are engaged exclusively in the wholesale business, some exclusively in the house-to-house business and some are engaged in both. Where a company operating two or more plants is engaged in both wholesale and house-to-house business this does not necessarily mean that any of its plants is a combination wholesale and house-to-house establishment, since the wholesale business may be done by exclusively wholesale plants and the house-to-house business by plants employing only this method of distribution. This latter method of doing business is apparently the policy of the Continental Baking Corporation. Practically all of the wholesale business of this company is done by exclusively wholesale plants and practically all of the house-to-house business by exclusively house-to-house establishments. When a plant sells both house-to-house and wholesale in the same territory, the retail dealer who buys from such a plant may feel that the producer by selling house-to-house is competing against him. This may cause him to lose interest in the product. Nevertheless, there are several very successful plants operating both wholesale and house-to-house routes in the same territory.

Although nearly one-third of the companies are combination wholesale and house-to-house establishments, and although these companies do nearly two-thirds of the total bread business, the number of combination wholesale and house-to-house plants, as well as the volume of business done by them, is comparatively small. This appears from the following table which shows the type of distribution and sales for plants instead of companies.

[6] This company operated three out-of-town wholesale routes.

TABLE 6.—*Relative importance of specified types of bread distribution for 355 commercial baking plants*[1] *in 1926*

Method of sale	Method of distribution		Weekly bread sales			
	Number of plants	Per cent	Number of plants	Per cent	Amount	Per cent
Wholesale only	268	75.5	252	77.1	$3,233,398	78.6
House-to-house only	24	6.8	20	6.1	183,164	4.5
Total wholesale and house-to-house combined	63	17.7	55	16.8	696,687	16.9
Total	355	100.0	327	100.0	4,113,249	100.0

[1] This table includes only those plants and sales which could be separated according to type of distribution employed.

Less than 20 per cent of the plants and business reported belong in the category of combination wholesale and house-to-house distribution, while over three-quarters of the plants and business belong to the exclusive type.

Total sales, wholesale and house-to-house.—Moreover, the great bulk of the bread business of the combination wholesale and house-to-house plants is wholesale, so that the total volume distributed at wholesale is nearly 90 per cent of the total for all the commercial baking companies and plants studied. This appears from the following table, which also shows the weekly sales of bakery products, other than bread, sold at wholesale and house to house by all the baking companies which reported this information:

TABLE 7.—*Sales of wholesale and house-to-house business for 124 commercial baking companies,*[1] *operating 327 plants in 1926*

Method of distribution	Weekly sales					
	Bread		Other bakery products		Total	
	Amount	Per cent	Amount	Per cent	Amount	Per cent
Total wholesale	$3,653,816	88.8	$729,152	84.1	$4,382,968	88.0
Total house to house	459,433	11.2	137,925	15.9	597,358	12.0
Total	4,113,249	100.0	867,077	100.0	4,980,326	100.0

[1] This table includes only those companies and sales which could be separated according to type of distribution employed.

A somewhat lower proportion of bread than of other bakery products is sold house to house. As is shown by Table 19, plants selling house to house are much more likely to sell other bakery products in addition to bread than are the exclusively wholesale plants. The house-to-house business involves a considerably wider variety of products than the wholesale business, especially in sweet goods of one sort and another, on which the house-to-house companies run weekly and even daily specials. In the wholesale business, on the other hand, the sale of other products than bread often consists only of cake, and the line of other bakery products is usually limited and lacking in variety. It seems probable, therefore, that even

where wholesale and house-to-house plants are both selling other bakery products as well as bread, the latter type of plant would show proportionally higher sales of such other products.

Section 4. Relative importance of route business and miscellaneous wholesale distribution.

Types of distribution.—As has already been pointed out, the figures procured by the commission cover only bakeries engaged in wholesale and house-to-house retail distribution. The wholesale business, however, may be done either through (1) the operation of wholesale routes, which is the principal method, (2) out-of-town agents, (3) peddlers, or (4) rail shipments to retail grocers and others.

While from the standpoint of the baking company the three last-named classes of business may be regarded as wholesale, since the purchasers redistribute to others, it is necessary to recognize a distinction between these three classes of customers. Out-of-town agents resell to retailers, whereas shipping customers (usually retail stores) sell to ultimate consumers. Peddlers, on the other hand, may distribute to stores or to consumers or to both. As all these customers purchase of the baking company for the purpose of resale, however, these three classes of business have been combined and denominated "Miscellaneous wholesale business."

Company and plant methods of sale.—The following table shows the number and proportion of companies and plants engaged in wholesale-route, house-to-house, and miscellaneous wholesale business, either exclusively or in combination.

TABLE 8.—*Number and proportion of reporting commercial baking companies and of plants engaged in wholesale route, miscellaneous wholesale, and house-to-house business in 1926*

Method of selling	Companies		Plants	
	Number	Per cent	Number	Per cent
Wholesale route only	56	38.1	156	43.9
Wholesale route and miscellaneous wholesale	34	23.1	112	31.6
House-to-house only	12	8.2	24	6.8
Wholesale route and house-to-house	30	20.4	42	11.8
Miscellaneous wholesale and house-to-house	1	.7	2	.6
Wholesale route, miscellaneous wholesale and house-to-house	14	9.5	19	5.3
Total	147	100.0	355	100.0

Over 61 per cent of the companies and about 75 per cent of the plants reporting were engaged exclusively in wholesale distribution and less than 10 per cent in the exclusively house-to-house business, the balance combining both those methods of distribution.

About 67 per cent of the companies and 62.5 per cent of the plants have no miscellaneous wholesale distribution. The balance of the companies and plants, however, all reported some miscellaneous wholesale business of one kind or another.

Volume of sales by methods of distribution.—Although approximately one-third of the larger commercial baking companies and plants distributed through miscellaneous wholesale channels, the extent of their employment by any plant is usually very small as compared with the plant's total wholesale or house-to-house business. The aggregate volume of miscellaneous wholesale business for all plants reporting is

less than 5 per cent of either the total wholesale business or total wholesale bread business, and less than 4 per cent of the total wholesale and house-to house bread business. This is shown by the following table which presents the total sales reported as distributed through wholesale routes, house-to-house routes and miscellaneous wholesale channels. The number of companies and plants on which this table is based is less than the number shown in the preceding table, several of the companies and plants shown in that table failing to report volume of sales.

TABLE 9.—*Relative importance of wholesale route, miscellaneous wholesale and house-to-house business for 124 commercial baking companies operating 327 plants in 1926*

Type of business	Weekly sales		
	Bread	Other products	All bakery products
Wholesale routes	$3,497,084	$680,603	$4,177,687
Miscellaneous wholesale	156,732	48,549	205,281
Total wholesale	3,653,816	729,152	4,382,968
House-to-house	459,433	137,925	597,358
All business	4,113.249	867,077	4,980,326
	Per cent distribution		
Wholesale routes	95.7	93.3	95.3
Miscellaneous wholesale	4.3	6.7	4.7
Total wholesale	100.0	100.0	100.0
Wholesale routes	85.0	78.5	83.9
Miscellaneous wholesale	3.8	5.6	4.1
House-to-house	11.2	15.9	12.0
Total all business	100.0	100.0	100.0

Approximately 88 per cent of the sales of bread and of total sales are wholesale as against around 12 per cent for the house-to-house business.

Section 5. Relative importance of different types of route business.

Distribution of companies and plants by type of route.—Since all the house-to-house business and the overwhelming proportion of the wholesale business is route business, this method of selling bread is by far the most important method and will be considered first.

Route business may be divided into two main classes (1) city, (2) out-of-town. The route business may be exclusively wholesale or house-to-house, or both wholesale and house-to-house, and may employ either or both city and out-of-town routes.

In the following tables are presented the number of commercial baking companies and plants which are engaged in various types of route distribution, and their respective proportions of the total business. These figures cover all the plants and companies reporting the type of route business in which they are engaged, irrespective of whether engaged exclusively in route business or in that business and miscellaneous wholesale distribution in addition.

TABLE 10.—*Number of commercial baking companies and plants engaged in specified types of route distribution in 1926*

Type of route	Companies		Plants	
	Number	Per cent	Number	Per cent
City wholesale routes	30	20.3	57	16.0
Out-of-town wholesale routes	3	2.1	3	.9
City and out-of-town wholesale routes	57	38.8	208	58.6
Total wholesale routes	90	61.2	268	75.5
City house-to-house routes	7	4.8	13	3.7
Out-of-town house-to-house routes				
City and out-of-town house-to-house routes	6	4.1	13	3.7
Total house-to-house routes	13	8.9	26	7.4
Wholesale and house-to-house city and/or out-of-town	44	29.9	61	17.1
Total	147	100.0	355	100.0

So far as route business is concerned, the majority of both the companies (61.2 per cent) and plants (75.5 per cent) were engaged exclusively in wholesale route distribution. Less than 10 per cent of either companies or plants operated only house-to-house routes, but very substantial proportions of both the companies and the plants were employing various combinations of wholesale and house-to-house routes.

Considerable percentages of both companies (25.1 per cent) and plants (19.7 per cent) distributed exclusively through city routes, but over 70 per cent of the former and nearly 80 per cent of the latter operated both city and out-of-town routes.

Plants and companies operating house-to-house were about evenly divided between city routes and city and out-of-town routes combined. There were no companies or plants engaged exclusively in out-of-town house-to-house business and the number selling exclusively through out-of-town wholesale routes was insignificant.

Distribution of total route business by type of route.—Figures for the volume of route business for all of the foregoing companies and plants are not available because several of the smaller reporting companies and plants did not report sales. The approximate weekly amount of route sales is available, however, for 124 companies and 327 plants and the distribution of these sales by type of route is presented in the following table:

TABLE 11.—*Distribution of total wholesale route and house-to-house business by type of route for 124 companies and 327 plants in 1926*

Type of business	Bread		Other bakery products		Total	
	Weekly sales	Per cent	Weekly sales	Per cent	Weekly sales	Per cent
City wholesale routes	$2,565,512	73.4	$511,391	75.1	$3,076,903	73.7
Out-of-town wholesale routes	931,572	26.6	169,212	24.9	1,100,784	26.3
City house-to-house routes	333,442	72.6	104,173	75.5	437,615	73.3
Out-of-town house-to-house routes	125,991	27.4	33,752	24.5	159,743	26.7
Total wholesale routes	3,497,084	88.4	680,603	83.2	4,177,687	87.5
Total house-to-house routes	459,433	11.6	137,925	16.8	597,358	12.5
Total all routes	3,956,517	100.0	818,528	100.0	4,775,045	100.0

About 88 per cent of the total route business in bread was wholesale business and about 12 per cent house to house. In other bakery products the proportion sold on wholesale routes was slightly lower (83.2 per cent) and on the house-to-house routes slightly higher. The explanation of the fact that the proportion of other bakery products sales was relatively higher as compared with bread on house-to-house than on wholesale routes lies in the more diversified line of products manufactured by the house-to-house baker as previously explained. Nevertheless, the wholesale routes reported 87.5 per cent of the total sales of bread and other bakery products combined.

The city route business runs from 72 to 75 per cent of the total route business and the out-of-town business from 24 to 28 per cent, whether wholesale or house-to-house business in bread or in other bakery products is taken, or both bread and other bakery products combined.

Section 6. Selling organization of commercial baking companies.

General selling organization.—The sales organization of a baking plant may be under the direction of a sales manager, but if the plant is very small there may be no separate sales manager, the selling work being directed entirely by the plant manager, as, for example, in the small plants of some of the largest companies. The largest baking plants, however, usually employ at least one sales manager. If the plant is a large producer, not only of bread but also of other bakery products, there are frequently two sales managers, one for bread and one for other products. When practicable, this separation is regarded by one of the larger companies as the better policy.

In some cases, where a plant is a house-to-house as well as a wholesale distributor, there may be a sales manager for the wholesale business and also one for the house-to-house distribution, or, as in the one large combination wholesale and house-to-house plant, the sales manager may have an assistant sales manager for the wholesale business and another for the house-to-house business.

The plant sales managers generally report to the plant manager, who is usually responsible for both production and sales. This appears to be true even in companies operating numerous plants. In some of the large multiple plant companies, the plants are grouped by districts, each in charge of a district or regional manager who is responsible for both sales and production. The Ward Baking Co. plants are grouped into two divisions, the eastern and western, while the numerous plants of the Continental Baking Corporation are grouped in six geographical groups each comprising from 12 to 20 plants under the direction of a regional manager who is likewise responsible for both sales and production. The plants of the General Baking Co., on the other hand, are not grouped by districts and the sales are under the direction of a general sales manager.

Neither the Continental nor the Ward company has a general sales manager. The former company, however, maintains a sales promotion department which gives service and advice to the regional managers. The two regional managers for the Ward Co. both report directly to the president, who is in general charge of both sales and production.

Route sales supervisors.—Under the plant sales manager are the route foremen who are also known by various other names, such as sales supervisors, district managers, etc. In a general way these men are salesmen for a group of routes.

In combination wholesale and house-to-house plants there may be separate sales supervisors for each of these branches. In small combination plants there may be no such separation and the same is also true of a primarily wholesale plant operating only two or three house-to-house routes or of a primarily house-to-house plant operating two or three wholesale routes. There are usually anywhere from 1 to 10 or more of these sales supervisors per plant, depending upon the size of the plant and the number of routes per supervisor. Each supervisor will usually have from 5 to 15 routes. In many cases there appears to be little or no difference in the number of salesmen per supervisor on house-to-house and wholesale routes. On the other hand, one large company, which states that its wholesale supervisors have from 6 to 12 routes under their direction, reports that house-to-house foremen supervise from 20 to 40 routes per man, with an average of about 30. Another large company, whose wholesale supervisors are responsible for only 10 routes on the average, assigns from 15 to 20 routes to a house-to-house supervisor. This company states that its experience has shown that one house-to-house foreman can successfully supervise a comparatively large number of routes because the territory covered by the house-to-house salesman is smaller than the territory covered by the wholesale salesman. In another large company selling both wholesale and house to house, however, the reverse of this situation is found. In this organization there is a wholesale foreman for every 14 routes, whereas house-to-house supervisors are responsible for about 8 routes only; but each one of the wholesale foremen has an assistant.

Duties of route sales supervisors.—In many respects the duties of sales supervisors of wholesale routes do not appear to differ materially from those of house-to-house supervisors. This is particularly true, for example, with reference to purely supervisory aspects of their work. But there are certain differences in them which arise inevitably such as looking after retail-store display of bread in the wholesale business, a duty which naturally does not exist in the house-to-house business. Moreover, there may also be differences in the methods of developing the business. Both types of supervisors are, in effect, as has already been stated, salesmen for a group of routes. Theirs is the responsibility for the volume of business produced by those routes. Among their most important functions, therefore, are those of stimulating the interest of customers and prospective customers in the product, assisting route salesmen in securing new customers and of keeping already existing customers sold. In the wholesale business this is done very largely by calling on the trade. The route sales supervisor constantly calls on both customers and prospects endeavoring to develop business. A considerable proportion of his energies, therefore, are commonly devoted to selling.

One wholesale sales supervisor describes his sales work substantially as follows:

> I am a wholesale foreman or district manager for the ———— Baking Co., having charge of several routes. My principal function in selling is to make contacts with various distributors and persuade them to take on our bread. It is also my duty to keep existing distributors sold, though route salesmen are supposed to function in this matter to a certain extent.
>
> All foremen are obliged to attend the sales school started by our company, where we are trained in selling bread. As a result I know every argument backward and forward and can meet any sales objections. A few years ago when I began selling bread I had only a little memorandum sales talk and did not know how to meet arguments and objections properly. Now I have a complete sales portfolio containing pictures, diagrams, and sales arguments. If a dealer does not speak English well, I use the portfolio and sell on pictures and diagrams. In getting our bread into retail stores and keeping it there I stress the profit argument. Bread is, as a matter of fact, the most profitable item which the retail grocer carries. When I say this the majority of the storekeepers either laugh or grunt and say "one cent a loaf." My answer is, What do you consider your most profitable item? The dealer mentions something, frequently canned goods. I then inquire his turnover on canned goods, or other item he mentions, and show him that he has 300 or more turnovers a year on bread and an extremely low investment, whereas his canned goods or any other item turns very much more slowly than bread and practically always involves a much heavier investment. I also endeavor to convince the dealer that by pushing our bread he will be able to develop a larger daily turnover on bread than he has at the present time and also that he will sell a larger volume of other goods in addition, since people with other groceries to buy will purchase at his store because they will come there to get our bread. Most grocers are buying from various bakers and, in endeavoring to get in our bread, I am compelled to persuade them to still further divide their business. They do not like to do this and in many cases it means a great deal of work with the prospect to persuade him to cut down his orders with other companies and sell our bread. Numerous calls are necessary and I may have to go back three or four or six or seven times. Ultimately I usually convince the dealer.

While some work of this character is done with housewives by house-to-house foremen, it does not appear to be so much a matter of the general routine of the supervisor's work as is the case in the wholesale business. One very large company doing an extensive amount of house-to-house as well as wholesale business says that its house-to-house sales supervisors do not go out and call on the trade in the same way as the wholesale supervisors. Because of the numerous customers on the average house-to-house route, it is physically impossible for house-to-house supervisors to become acquainted with the trade and in consequence there is much less contact between the house-to-house sales supervisors and the trade than in the wholesale business. The information of such supervisors with reference to market and other conditions in this company, therefore, is supplied almost entirely by the route salesman.

The situation just described, however, may be more characteristic of this organization than of certain other companies for the reason that the number of house-to-house routes under the direction of its sales supervisors averages about 30, whereas in many other concerns it is much less. Another reason suggested by officials of this company for the less frequent contacts with customers in the case of the house-to-house business is that this business has generally a much more varied line of products than is sold to the wholesale trade. There are daily and weekly specials, not only in sweet goods but frequently also in bread. Because of these conditions the average house-to-house supervisor in this company can be much more a manager than is true in the case of the ordinary wholesale supervisor by advising with the route salesman as to what to take out on each route, the quantities of each, etc.

Despite these differences the fact of the responsibility of the route foreman for the business on his routes remains and it follows that he will personally call on either actual or prospective customers or both when conditions on particular routes appear to require it.

In the supervision and direction of the route salesmen the route supervisors, both wholesale and house to house, see that the salesmen report on time, help them in getting out their orders, check up their route books,[7] instruct new men in selling and in driving carefully and safely, assist salesmen by accompanying them and suggesting improvements in service and generally oversee the work of the route salesmen. On occasions when a route man fails to appear, it becomes the duty of the route supervisor to take out the wagon or truck and sell in place of the regular route man. This arrangement is very desirable for the reason that it tends to keep the supervisors constantly aware of the conditions encountered by the route salesmen on their daily trips. With a view to developing and increasing the company's distribution the supervisors are also supposed to promote and maintain harmony between salesmen and customers, to check up errors and mistakes in service, and even to change the time of delivery on routes.

On the wholesale routes the sales supervisors also see that the proper quantities of bread and other products are left with the dealer, check up the condition of bread and other products in the stores, see that the proper display is given by the stores both to the products and to advertising matter left with the dealers, and keep watch on new store locations with a view to securing further outlets for the product.

Compensation of route sales supervisors.—The sales supervisors or route foremen work on various bases of compensation. In about 74 per cent of the reporting plants they were salaried employees receiving between $46 and $47 per week. Less than 9 per cent of the plants paid their foremen a straight commission and only 16 per cent a salary and commission. The plant average of compensation for the supervisors on commission was about $3 more a week than the plant average for the supervisors paid a straight salary, while the men on the salary and commission basis received a slightly higher rate than those paid by straight commissions.

Route salesmen.—Under the route sales supervisors are the route salesmen who drive the wagons or trucks, sell and deliver the bread and other bakery products, and collect from the customers. It is the function of the route salesman to sell, but, as was remarked by an official of one large baking company, they are too often not much more than delivery men. Considerable efforts are made by some of the larger companies to develop good route salesmen. One company operates a sales school which its route men as well as sales supervisors are obliged to attend for a certain number of days once or twice a year. Here they get a brief training in selling bread and are required, among other things, to learn the contents of a sales portfolio and to memorize a standard "sales talk." In other cases the route salesmen are put through a course of preliminary training at the plant covering a period of two or three weeks in the plant shipping room and elsewhere, where they observe the work of the salesmen, how they load the bread, and how they get their orders out. In this

[7] In books containing lists of customers spaced for the entry of goods sold, the route man is supposed to enter the quantities of each type of goods sold to each customer each day.

way they absorb a good deal of information about their prospective duties. They are then sent out on a route in charge of the sales supervisor who teaches them how to load the vehicle, how to get to the routes expeditiously, how to get settlements quickly and courteously, and various other details of properly serving customers. This particular company lays great emphasis upon courtesy. Its experience has been that if a man is tactful, respectful, and interested in his business he can sell more of the company's bread than one who is not. He is, therefore, something more than a delivery man. On the wholesale routes he is in the stores once or twice a day. He endeavors to rearrange the bread, look after the display, and keep it orderly. Customers are quite responsive to interest taken in their wants by the route salesmen and it is possible for them to build up the business on their routes very decidedly if they choose to do so.

Sales meetings are more or less frequently held which are attended by the entire sales organization of the plant, plant manager, plant sales manager, sales supervisors, and route salesmen. If the company operates more than one plant, the general sales manager or his assistant may be present. These sales meetings are held for the purpose of explaining to salesmen the policy and purposes of the company and to convince the salesmen that the company is making an excellent product which it wants distributed to the consumer in the most efficient and intelligent manner possible. Sales supervisors also call meetings of the salesmen of their district from time to time in addition to the daily conferences which they have with them Only recently one company has employed at certain of its plants technically trained men as sales promotion managers. Each of these has a small crew of men who are engaged not only in the work of stimulating sales but who also devote considerable attention to the men on the wagons. Sales contests and various other methods of stimulating salesmen are also employed from time to time in the baking business.

Routine of salesmen's work.—The routine work of a wholesale salesman in selling and delivering bread is about as follows: Each morning the salesman reports for work at a specified hour. After placing his truck at the loading platform and examining it to see that it is thoroughly clean and ready to receive the load, he examines his order sheet for that day and consults the bulletin board for any special orders. It not infrequently happens that since making out his order on the preceding day additional orders have been phoned in by customers or that cancellations have been made by them. Any changes of this character are reported on the bulletin board. The goods called for by each order are ready and waiting for the salesman and are checked by him against his order sheet. He then sacks the rolls, buns, or other goods requiring sacking and, using a small hand truck, loads his delivery wagon or truck and at the specified time starts on his route. On arriving at the customer's establishment the salesman enters the store, greets the customer, gets the latter's requirements from the wagon or truck and arranges the goods in the cases provided for baked goods, collecting the proceeds of the sale from the dealer in those cases where the customer is on a cash basis. Before leaving the store he usually inquires as as to any special orders which the customer may have for the next trip.

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Having finished serving his customers the salesman returns to the bakery. If the route is on a once-a-day delivery basis, he makes out his order for goods for the next day upon his return to the plant. If the route is on a twice-a-day delivery basis, the order may be made out before the driver begins the second trip, subject to subsequent additions or deductions, or the order may not be made out until after the return from the second trip. The second trip is practically a repetition of the first except that the salesman is expected to be particularly alert for new and additional business.

When the delivery work is concluded for the day the salesman returns his truck or wagon to its proper place. The unsold bread and other baked goods are turned in, the driver obtaining a receipt for them. He then checks up with the cashier, filling out a so-called settling slip upon which he lists the cash, checks, authorized and unauthorized credits. After settling up the route book is filled out for the day, the sales to each customer being entered opposite the customer's name. A report on his equipment (repairs needed, if any, etc.) is also made out. Finally the salesman reports to his supervisor, going over the events of the day and also discussing any unauthorized credits. The routine of salesmen on house-to-house routes is much the same as on the wholesale routes, the only substantial difference being that the sales and deliveries are made to housewives instead of to retail stores.

Salesmen's compensation.—As a general rule, and in contrast to the route sales supervisors, route salesmen work chiefly on either a straight commission or salary and commission, the proportion of plants reporting straight salaries being negligible.

The average compensation runs close to $40 per week based on averages of rates reported by the plants irrespective of the number of salesmen employed.

TABLE 12.—*Methods and rates of compensation for route salesmen reported by commercial baking companies in 1926*

Type of compensation	Basis of compensation		Rates of compensation	
	Number of plants	Per cent	Number of plants	Averages of plant rates
Salary	21	6.8	19	$37.59
Commission	113	36.2	48	40.04
Salary and commission	172	55.1	98	39.80
All other	6	1.9	4	40.94
Total	312	100.0	169	39.65

Reference to Table 78 shows that salaries and commissions which presumably were the equivalent of compensation for route foremen and for route salesmen for the years 1923 to 1925 amounted to 0.687 cent per pound of bread for exclusively wholesale plants and 1.654 cents for exclusively house-to-house plants.

Distributing depots.—In thickly populated areas of considerable size, particularly in the east, it frequently happens that a large

bakery may have within a radius of 35 or 40 miles, or even a greater distance, a number of good sized cities. Where this condition occurs some companies have developed distributing depots as they are commonly called. These distributing depots are completely equipped for handling the distribution of bread and other products but contain no ovens or other manufacturing equipment. Each depot is in charge of a manager under whose direction are a sales foreman, or foremen, and a force of route salesmen, and from it are operated wholesale and/or house-to-house routes in the same way as such business is handled from the bakery itself. The depots are served each day by heavy trucks capable of delivering several thousand loaves of bread per day.

The General Baking Co., operates a number of such depots, some wholesale and some house-to-house, at various points in and around Philadelphia and New York, and other bakers also operate substations. The number of routes operated from such stations varies widely; one company, for example, has one depot with only 8 or 10 routes, and another with 50.

It has been stated that the maximum distance from the plant at which one of these depots should be operated is 50 miles, though the distance is frequently greater.

Section 7. Routes operated.

Assuming the figures of the commission as representative, about 77 per cent of the commercial baking company routes are wholesale and about 23 per cent house-to-house. City routes greatly preponderate in both wholesale and house-to-house route distribution, the out-of-town routes comprising, roughly, about 25 per cent of the total routes.

TABLE 13.—*Distribution of city and out-of-town wholesale and house-to-house routes for 354 commercial baking plants in 1926*

Type of route distribution	Number of plants	Number of routes	Per cent of routes	Number of routes per plant
City wholesale	321	6,527	57.8	20
Out-of-town wholesale	252	2,230	19.7	9
Total wholesale		8,757	77.5	
City house-to-house	80	1,894	16.8	24
Out-of-town house-to-house	52	646	5.7	12
Total house-to-house		2,540	22.5	
Total wholesale and house-to-house	354	11,297	100.0	32

The total number of routes reported was 11,297 or about 32 routes per plant. Of these routes, 8,757 were wholesale and 2,540 were retail, while 8,421 were city routes and 2,876 were out-of-town routes. The 354 reporting baking plants, therefore, averaged about 25 wholesale and 7 retail routes per plant and about 24 city and 8 out-of-town routes per plant. These averages, however, should be used with care since they are made up by dividing the route totals by the number of plants. They, therefore, include plants engaged in

various combinations of wholesale, house-to-house, city and out-of town business as well as those which are distributing exclusively by some one or another of these methods. The average number of city wholesale routes operated by plants engaged in the city wholesale business (20) is over twice the average number of out-of-town routes (9) operated by plants engaged in the out-of-town wholesale business, while the average number of city house-to-house routes operated by plants engaged in the city house-to-house business (24) is just twice the number of out-of-town house-to-house routes (12) reported by the plants engaged in that type of business.

Average length of routes.—The average length of all routes for which length was reported, whether wholesale or house-to-house, city or out-of-town, was 32 miles. This figure is based upon reports of 345 plants operating 10,848 routes, with a total route mileage of 352,392 miles. The total daily mileage is considerably in excess of this figure for the reason that certain of these routes are covered more than once a day. (Sec. 9.)

TABLE 14.—*Average mileage per route for city and out-of-town wholesale and retail routes of 345 commercial baking plants in 1926*

Type of route	Number of plants	Number of routes	Total route mileage	Per cent of total mileage	Average miles per route
City wholesale	304	6,243	155,953	44.2	25
Out-of-town wholesale	238	2,137	145,384	41.3	68
Total wholesale		8,380	301,337	85.5	
City house-to-house	77	1,830	32,493	9.2	18
Out-of-town house-to-house	51	638	18,562	5.3	29
Total house-to-house		2,468	51,055	14.5	
Total wholesale and house-to-house	345	10,848	352,392	100.0	32

The longest type of route is the out-of-town wholesale which, on the average, is 68 miles; the shortest is the city house-to-house, which averages 18 miles. The out-of-town wholesale and retail routes are appreciably longer than the wholesale and retail city routes. In the wholesale business the out-of-town routes average over 170 per cent and in the house-to-house business about 61 per cent longer than the corresponding city routes. These figures are merely averages and represent results for widely varying distances.

Although it was stated by a prominent officer of one of the baking companies operating several plants that in his experience the expense of operating a route over 75 miles in length begins to be prohibitive, there are frequent instances in the wholesale business of routes longer than this distance. On city wholesale business the maximum average length of route reported was 92 miles, which was for a plant operating only five routes. Two other plants having 9 and 5 routes, respectively, each reported an average of 60 miles, and another plant with 45 routes, 65 miles. At the other extreme is a plant with 4 city wholesale routes averaging only 2 miles in length, another with 14 routes averaging 2½ miles, and a third with 42 routes which average 3 miles. Out-of-

town wholesale routes quite commonly run 100 miles or more. The maximum average length reported was 159 miles for a plant operating 5 routes. Two others with 8 and 7 routes, respectively, averaged 145 miles. For three routes of a plant of one of the largest baking companies the length was only 6 miles, but this appears to be out of line with the minimum lengths generally shown by various companies and plants, the next lowest average being 20 miles, which was reported for 28 routes of one plant and for 1, 2, and 3 routes, respectively, by three other plants. The minimum for many plants reporting, however, ranged from 35 to 60 miles.

In the house-to-house business there are also very substantial variations in the lengths of the routes for the various companies and plants, but these are not nearly so pronounced as in the wholesale business. The lowest average reported for any plant was 3 miles for 49 routes; the highest, 45 miles for 8 routes. The next longest average was 36 miles for 100 routes. The shortest routes on the average for the out-of-town house-to-house business were 6 miles and 8 miles for two plants of 18 and 11 routes, respectively. The longest was 75 miles for two plants operating 3 and 10 routes, respectively. Another plant with 7 routes averaged 60 miles, while 2 others with 13 and 9 routes, respectively, averaged 50.

Section 8. Delivery equipment.

Delivery expense.—The cost of delivering bread, according to the figures obtained by the commission, averages over half a cent a pound for the straight wholesale business and over eight-tenths of a cent for house-to-house business. This, it should be understood, refers only to the expense of operating vehicles and equipment engaged in the delivery of bread and excludes all expenses for salemen's salaries, commissions, etc. The foregoing figures represent merely averages, and in certain instances this expense may run over a cent a pound, or over one-tenth of the entire selling price of the bread. The kind of equipment employed is important in relation to this expense.

Effect of distance on equipment.—The length of the route to be covered is a physical factor which limits the character and type of equipment employed in making deliveries. It is impossible for a horse-drawn vehicle to cover more than a small number of miles per day, if the horses are to remain in condition. The distance which can be covered by an electric truck is similarly limited, though not to as great an extent, by the relatively low speed of this type of vehicle. Neither of these types of equipment, therefore, can be used on the very long out-of-town routes operated by numerous bakeries. The gasoline truck or, so-called "gas" truck, is the only type of equipment which can take a heavy load over a long distance and get back in one day.

The distance factor, therefore, explains in part the following table, which presents the different types of delivery equipment employed according to the type of route.

TABLE 15.—*Types of delivery equipment employed on different types of routes, as reported by 355 baking plants in 1926*

Types of vehicles	City wholesale			Out-of-town wholesale			City house-to-house		
	Number of routes	Per cent of vehicles	Per cent of routes	Number of routes	Per cent of vehicles	Per cent of routes	Number of routes	Per cent of vehicles	Per cent of routes
Gas trucks	1,788	27.4	42.5	1,870	84.3	44.4	292	15.4	6.9
Electric trucks	969	14.8	92.2	21	.9	2.0	58	3.1	5.5
Horse and wagon	1,699	26.0	49.9	69	3.1	2.0	1,335	70.5	39.2
Gas and electric	1,421	21.8	83.7	148	6.7	8.7	129	6.8	7.6
Electric and horse and wagon	155	2.4	97.5				4	.2	2.5
Gas and horse and wagon	266	4.1	50.0	111	5.0	20.9	75	4.0	14.1
Gas, electric, and horse and wagon	227	3.5	100.0						
Total	6,525	100.0	57.8	2,219	100.0	19.7	1,893	100.0	16.8

Types of vehicles	Out-of-town house-to-house			Total, all routes		
	Number of routes	Per cent of vehicles	Per cent of routes	Number of routes	Per cent of vehicles	Per cent of routes
Gas trucks	260	40.2	6.2	4,210	37.3	100.0
Electric trucks	3	.5	.3	1,051	9.3	100.0
Horse and wagon	303	46.9	8.9	3,406	30.2	100.0
Gas and electric				1,698	15.1	100.0
Electric and horse and wagon				159	1.4	100.0
Gas and horse and wagon	80	12.4	15.0	532	4.7	100.0
Gas, electric, and horse and wagon				227	2.0	100.0
Total	646	100.0	5.7	11,283	100.0	100.0

The average length of the out-of-town wholesale route, as previously shown (Table 14) is 68 miles. These routes, as stated in the preceding section, are rarely below 20 to 30 miles in length and may run as high as a hundred or more miles. It is not surprising, therefore, to find that 84 per cent of the total out-of-town wholesale routes are gas-truck routes and that this type of vehicle is also used on an unknown proportion of another 11.7 per cent of the routes reporting both gas trucks and other vehicles.

The distance factor may also be held responsible, doubtless, for the high proportion of gas trucks on the out-of-town house-to-house routes. The average length of this type of route is only 29 miles, but as previously explained, a number of these routes are 50 to 75 miles in length.

Distance also accounts in part for the extent of the use of gas-truck equipment on city wholesale routes. While these routes average only 25 miles in length, routes of from 35 to 50 miles, or even longer, are not uncommon. It is probable that most of these longer routes are served by gas trucks.

Equipment on house-to-house routes.—In the house-to-house business horse-drawn vehicle delivery is regarded as desirable by some because in residential sections the horse learns to move down the block without guidance, while the driver is visiting his customers on both sides of the street. This considerably shortens the distance the driver must walk to get goods from the wagon and also reduces the time involved in starting and stopping. These conditions, no doubt, account in part for the fact that about 70 per cent of the city house-to-house routes reported for were horse and wagon routes and that horses and wagons were also employed on an unknown percentage of 79 other routes for which this type of equipment was reported in combination with others and which comprised over 4 per cent of the total city house-to-house routes. In the out-of-town house-to-house business horse-drawn vehicles are not as important as in the city business, though nearly 50 per cent of the total routes reported for use this type of equipment. Electric trucks have a practically negligible use.

Other physical factors.—Additional physical factors affecting the character of the equipment are the number of stops, the topography, the climate, the character of the roads, and the size of the load. The greater the number of stops per route, the less the desirability of the gasoline truck, on account of the waste of gasoline in starting and stopping. It is here that the electric truck is decidedly superior to the gas truck, there being no cost involved in stopping and starting. Electric trucks, however, are relatively low-speed vehicles, and consequently much slower in covering territory than gas trucks, though considerably faster than the horse-drawn vehicles. In a study made by the Bakers Weekly the average range of daily activity reported was 55 miles for gas trucks, 27 for electric trucks, and 18 for horse-drawn vehicles.[8]

In extremely hilly sections, however, the topography greatly reduces the area which can be covered by electric trucks.[9]

Climatic conditions may also seriously affect the character of equipment. In territory where the summer weather is extremely hot the efficiency of the horse-drawn vehicle in serving the routes is reduced as compared with the electric or gasoline truck because the horses must be driven more slowly during the hot weather. On the other hand, in territories where the winters are accompanied with a great deal of ice and snow, the electric truck is said to be at a disadvantage as compared with the gas car or the horse-drawn vehicle.

The single horse-drawn vehicle labors under the disadvantage of not being able to carry as large loads as the electric or gas truck. According to the Bakers Weekly survey, the horse and wagon delivered 700 pounds per route per day as compared with 1,221 pounds per electric truck and 1,471 pounds per gas truck.[10] It is apparent, therefore, that the volume of bread sold on the route may affect the type of equipment employed.

In the following table there is presented for city wholesale routes only the average customers per route, or stops per route, and average length of routes for several of the largest baking companies in comparision with the percentages of different types of equipment employed. The total number of routes represented is several thousand.

[8] P. G. Pirrie, "Factors affecting delivery costs," Bakers Weekly, July 25, 1925, p. 55.

[9] Cf. the following statement: "In Fort Wayne, which is a flat town, the average daily mileage per electric reported is 40 miles, while in Omaha, which is a decidedly hilly city, the average daily mileage reported is but 17 miles. These figures are checked by those from Oakland and San Francisco. Oakland is practically a level city, and our questionnaire returned from there shows a daily average mileage for electric of 40 miles, whereas the report from San Francisco, which is full of hills, shows but 15 miles." P. G. Pirrie, "Delivery by the electric," Bakers' Weekly, Aug. 29, 1925, p. 47.

[10] P. G. Pirrie, "Delivery by the electric," Bakers Weekly, Aug. 29, 1925, p. 47.

TABLE 16.—*Number of stops and average length of city wholesale routes in comparison with types of delivery equipment as reported by seven large commercial baking companies*

Company	Average customers per route	Average length of route	Per cent of—						
			Gas	Electric	Horse and wagon	Gas and electric	Electric and horse	Gas and horse	Gas, electric, and horse
		Miles							
A	50	21	22.2	36.4	20.5	7.1	8.8	0.3	4.7
B	71	35	11.2	1.5	2.4	83.1		1.8	
C	53	17	9.2	7.4	80.7	1.6		1.1	
D	44	28	47.2			17.1		35.7	
E	56	17	34.8					2.8	62.4
F	64	17	2.8	12.6	84.6				
G	60	30	75.0		25.0				

It will be noted that the largest users of horses and wagons, companies C and F, also show the lowest average length of route, 17 miles. Company F also shows the highest number of stops per route of any company, with one exception. Company B, on the other hand, has practically no horses and wagons, relying almost entirely on gas and electric trucks. Its average length of route is 35 miles and its number of stops is 71 per route. This average length is apparently too high for satisfactory horse-and-wagon delivery. In view of the large number of stops per route, it is quite probable that the electric-truck equipment predominates in this company, though the figures were not returned in such a way as to permit this to be asserted positively. Company A with an average route of 21 miles—only about one-quarter longer than that of the companies C and F—serves over a third of its routes by electric truck.

Comparative costs of equipment.—Aside from such physical factors as those mentioned there is, of course, the dominant question of cost. According to a Bakers Weekly survey the average initial cost for a horse and wagon is $700, for an electric $3,102, and for a gas truck $2,230. The range of costs for electrics, however, is from $2,714 to $4,000, while that for gas trucks is from $1,200 to $4,000. The range for gas trucks, however, represents difference in cost between light and heavy trucks, the latter being used only on long out-of-town routes and not for city delivery. The minimum cost of an electric, therefore, is over twice that for gas cars and nearly four times that for horses and wagons. The most expensive gas and electric trucks cost about the same amount, $4,000, or nearly six times the cost of a horse and wagon.

Using the minimum figures stated, the initial investment for 20 city wholesale routes would be $14,000 for horse-drawn vehicles, $24,000 for gas trucks, and $54,000 for electrics. At 6 per cent the interest on these investments amounts to $840 for horse and wagons, $1,440 for gas trucks, and $3,240 for electric trucks annually. It is asserted that the great objection of the average baker to the electric truck is this high initial cost.[11] On the other hand, the average light gasoline truck is not regarded as having a life of more than 5 years while 12 is a conservative estimate for the electric and 15 should be an attainable average. This long life of the electric car, however, is

[11] "Delivery by the electric," op. cit., p. 48.

qualified by the fact that batteries, which are very expensive, must be replaced frequently. Under average conditions a lead battery can be expected to give from two and one-half to three years' service and the more expensive Edison battery twice as long, or more.[12]

Wagons will last from 10 to 15 years, but horses, on the other hand, must be replaced about every 8 years.

From an operating standpoint gas trucks are expensive on account of the expense of gasoline consumption, particularly starting and stopping. Tire expense is also heavy; whereas electrics are equipped with solid tires, and the tire expense is therefore low. This type of tire is not practicable for gas delivery trucks, and these are nearly all equipped with pneumatic tires. Charging the batteries of electric trucks, however, is also expensive, and it has been stated that there is a considerable saving in the operation of this type of vehicle, if it is practicable to use a sufficient number of them for the bakery to maintain its own charging facilities.[13]

With reference to the actual costs of operating these types of vehicles there appears to be some difference of opinion among bakers owing to the fact that the experiences of bakeries with them have not been the same. This is due largely, no doubt, to the fact that there are great differences in the types and average lengths of routes and other physical conditions between bakeries as well as in the particular character of the equipment.

Average costs of these three types of vehicles for a typical period have been made public by the W. E. Long Co. in the Bakers Weekly. The W. E. Long Co. is a bakers' service organization engaged in doing work for a number of baking companies along accounting, production, laboratory, engineering, and advertising lines. The costs in question, therefore, are averages for a considerable number of plants.

According to these figures the costs of horse and wagon delivery per hundred pounds of bread, including all stable expenses, depreciation, and maintenance, averaged 37 cents per hundred pounds, with a range of from 13 to 60 cents. Electric-car expense averaged but little higher, about 40 cents per hundred, with a range of from 24 to 54 cents. In the same period gas-car costs averaged about 64 cents, with a range of from 24 cents to $1.16 per hundred.[14]

Later in the same year (1925) it was stated in the Bakers Weekly that figures compiled by a large baking service organization (presumably the Long company) showed that the horse and wagon had the lowest average and also the lowest maximum and minimum expense for any type of vehicle, the low being 9 cents and the average 34 cents per hundred as compared with 27 and 43 cents for the electric and 33 and 74 cents for the gas truck.[15]

The Bakers Weekly's own survey gives different charts which show figures as to costs for different types of equipment. Gas trucks are shown to have a range of from 19 to 163 cents per hundred, electric 7.7 to 140 cents, and horses and wagons 13 to 130 cents.[16] In later charts the range for gas trucks is stated to be 15.4 to 163 cents per hun-

[12] "Delivery by the electric," op. cit., p. 48.

[13] In a paper by D. P. Chindblom, of the W. E. Long Co., it was stated that in a typical period electric-current cost ranged from 1 cent per 100 pounds of bakery products to 11 cents, with an average of approximately 6 cents. Bakers Weekly, Feb. 28, 1925, p. 60.

[14] D. P. Chindblom, "Importance of cost control," Bakers Weekly, Feb. 28, 1925, p. 60.

[15] P. G. Pirrie, "Delivery by horse and wagon," Bakers Weekly, Aug. 8, 1925, p. 69.

[16] Bakers Weekly, July 25, 1925, p. 54.

dred with an average of 77,[17] and for electrics the range is the same as above with an average of 50.[18] No average for horses and wagons was given.

Section 9. Delivering bread.

Number of deliveries per day.—The route salesmen on wholesale and house-to-house routes may call once, twice, or three times a day on their retail-store and housewife customers for the purpose of selling and delivering bread or other bakery products. The number of deliveries daily is affected by the type of business, whether wholesale or house-to-house, and whether city or out-of-town. It is also affected by various other factors, such as selling policy of the companies.

The following table presents the number of deliveries per day on 10,934 bakery routes distributed according to the type of route.

TABLE 17.—*Number of deliveries per day on wholesale and house-to-house routes as reported for the routes operated by 338 commercial baking plants in 1926*

Type of distribution	Number of plants reporting	1 delivery		2 deliveries		3 deliveries		Miscellaneous [1]		Total	
		Number of routes	Per cent of total	Number of routes	Per cent of total	Number of routes	Per cent of total	Number of routes	Per cent of total	Number of routes	Per cent of total
City wholesale	307	1,054	16.7	4,441	70.1	260	4.1	577	9.1	6,332	100.0
Out-of-town wholesale	240	1,839	84.5	241	11.1	-------	-------	97	4.4	2,177	100.0
Total wholesale	-------	2,893	34.0	4,682	55.0	260	3.1	674	7.9	8,509	100.0
City house-to-house	72	1,038	57.8	751	41.8	7	.4	1	(2)	1,797	100.0
Out-of-town house-to-house	46	490	78.1	134	21.3	-------	-------	4	.6	628	100.0
Total house-to-house	-------	1,528	63.0	885	36.5	7	.3	5	.2	2,425	100.0
Total	338	4,421	40.4	5,567	50.9	267	2.5	679	6.2	10,934	100.0

[1] In this category are included routes that had 1 and 2, 1 to 3, 2 and 3, 2 to 4, 2 to 5, 1½ and 4 deliveries per day, deliveries every other day, and deliveries 3 times per week.
[2] Less than one-tenth of 1 per cent.

According to these figures there are two deliveries per day for approximately 50 per cent of the total routes reported on, and one delivery for about 40 per cent, the balance being divided between thrice-a-day and other methods. This seems to be in accordance with the commonly expressed opinion in the industry that the present tendency of the commercial baking business is definitely in the direction of twice-a-day delivery and that this tendency applies both to wholesale and house-to-house business. The city business, whether wholesale or house-to-house, shows a much higher proportion of routes on the twice-a-day basis than the wholesale or house-to-house routes, respectively, as a whole. Seventy per cent of all city wholesale routes reported on are on a twice-a-day basis as compared with only 55 per cent for all wholesale routes, and 41.8 per cent of the city house-to-house as compared with 36.5 per cent for all house-to-house routes. The reason for this difference lies obviously in the small proportion of out-of-town routes on which there are deliveries twice

[17] Bakers Weekly Aug. 22, 1925, p. 72. [18] Ibid., Aug. 29, 1925, p. 46.

a day. Over 84 per cent of the out-of-town wholesale routes and 78 per cent of the out-of-town house-to-house routes are single-delivery routes.

As shown by Table 14, the average length of the out-of-town wholesale route is about 68 miles as compared with 25 miles on the city wholesale route, or more than two and a half times as long. The out-of-town house-to-house route is also appreciably longer than the city route, 29 miles in the former case as against 18 miles in the latter. While two deliveries a day, therefore, may be practicable on the shorter routes the mileage on the longer routes is a limiting factor on twice-a-day delivery in out-of-town business. In addition it may be noted that on out-of-town house-to-house routes the average number of customers served (279) is appreciably greater than on the city house-to-house routes, which average only 248 customers. (Table 22.)

Two deliveries a day are perhaps not as necessary or desirable in the out-of-town wholesale as in the city wholesale business, because the household consumers are located commonly at a much greater average distance from the retail stores in the suburban than in the urban areas. As a result these suburban consumers usually go to the store only once a day, and the two-delivery system would not produce as satisfactory results in out-of-town wholesale as in city wholesale business.

Many reasons may be given for the growth of the two-delivery system, which is said to have been originated about 25 years ago. In the first place the two-delivery system furnishes fresher bread to the consumer than the single-trip system and twice-a-day delivery is partly due, apparently, to the consumers' preference for fresh bread. One company states, for example, that it has definitely determined that it is able to sell and distribute a larger volume of bread under the two-delivery system. Second, it is stated by an official of one of the large baking companies that the two-delivery system enables a much more efficient utilization of both men and equipment. Some city wholesale routes in sections of dense population are very short, perhaps in exceptional cases not more than five blocks long. Vehicles of one large company under the single-delivery system in the city will, it is stated, frequently cover a wholesale route in from two and one-half to four hours.[19] The balance of the time both men and equipment might be idle. Another reason for the two-delivery system is that it gives the route salesmen a greater opportunity to sell, which presumably aids in distributing a larger volume. Under this system the first trip tends to become a delivery trip and the afternoon trip a selling trip. In some cases in the wholesale business the first delivery is made before the store is open. If there is no subsequent delivery there is little or no contact between the retail grocer and the route salesman.

Another important advantage of the two-trip system is that it enables the company to check up the demand for bread to better advantage than the single-delivery system. When there is a second delivery the salesman in placing his order for bread for delivery the following morning is in a position to base his order on much more exact information as to probable requirements than is the case with

[19] Cf. section 7, pp. 36–37.

the single-delivery system. On the second trip the salesman can see how well the bread left on the first delivery has moved. On the basis of this knowledge and the quantity left on the second delivery the route salesman is able to estimate how much bread the dealer is likely to have left on hand the following morning and to govern his order for the following day accordingly. Under the one-delivery system the route salesman's ideas of the amount of bread he should order for the following day are likely to be based on much less complete information. For example, on his way back to the plant the single-trip-route salesman may stop at a few stores where he has left bread earlier in the day to ascertain how it has moved. This better checking of the movement of bread under the two-trip system tends to reduce the loss on "stales." Another advantage of twice-a-day delivery is that the two-trip system usually means that in a larger proportion of cases the bread on the first trip does not get to the stores until after they are opened. This advantage, however, is closely related to the question of the hours at which bread is delivered and is more properly a part of that discussion. Though the time at which bread reaches the stores is undoubtedly affected by the two-delivery system, bread on the one-trip as well as the two-trip system may reach the stores after their opening.

Hours of delivery.—Taking baking plants as a whole, the hours at which wagons or trucks leave the plants to make delivery show wide variations. Schedule returns obtained by the commission show trucks leaving the plants at practically every hour from 1 a. m. to mid-afternoon, though the later hours, of course, represent the second or third trips.

The hours at which the delivery wagons or trucks leave the plants is affected to a large extent by the differences in the distances from the plants which it is necessary to traverse to reach the first point of delivery. Plants frequently operate a certain number of what may be termed "long-arm" routes where the distance from the plant to the first point of delivery is so great as to necessitate apparently a much earlier start from the plants than in the case of routes which are closer at hand. In very large cities where a company has only one plant it is to be expected that trucks on routes starting within a half dozen blocks of the plant will leave later than those which serve a part of the city 3 or 4 miles from the plant. But much depends also on the policy of the company as to whether deliveries are made before or after the stores are opened. While there is still a large volume of bread delivered before the stores open on the wholesale routes and also in the early morning hours on many house-to-house routes there appears to be a decided tendency toward daylight deliveries, both for companies and plants using the one as well as the two trip system. It is stated by an official of one large baking company that a few years ago its last delivery truck left the plant by 5.30 a. m. At present, according to the schedule returns of this company, practically none of them leaves before 5.30.

In the case of certain companies employing daylight delivery the hours of delivery may be dependent upon the hours at which the stores are opened. This in turn is affected by the character of the neighborhood which affects the hour of opening. In neighborhoods where the people go early to work, fresh bread may be particularly desired in the morning for putting up noonday lunches, and the stores may open much earlier than in other neighborhoods.

A great many stores, however, do not open until 7 o'clock and some even later. If the policy of the company is to make delivery after the stores are open in the morning, the attempt may be made to arrange the routes so that the salesman will reach each store as near the opening hour as practicable.

Getting the bread into the stores after they are open under either the one or two trip systems has the advantage of doing away with the bread boxes outside the doors of the retail stores, the use of these boxes to hold the bread until the store opens being regarded by some bakers as a rather insanitary and unsatisfactory delivery practice. Getting the bread into the store after it is open also tends to eliminate disputes with the grocers as to how much bread was left on a delivery before the store was open. In this case a grocer may sell a loaf out of the box to a customer who came up just as he was opening the store and forget about it. A dishonest route salesman may leave less bread than the order calls for and sell the surplus elsewhere. There have also been alleged instances where a competitor has stolen bread.

Section 10. Volume of sales and number of customers.

In total.—On more than 10,000 wholesale and house-to-house routes operated by 320 commercial baking plants reporting to the commission a total of over $4,500,000 of bread and other bakery products is sold each week to over 1,000,000 customers.

TABLE 18.—*Relative importance of number of customers and sales for wholesale and house-to-house routes for 320*[1] *commercial baking plants reporting in 1926*

Type of route	Number of plants	Average weekly sales of bread and other bakery products		Customers	
		Amount	Per cent	Number	Per cent
City wholesale	284	$2,987,104	64.7	354,765	32.8
Out-of-town wholesale	209	1,041,400	22.6	108,328	10.0
Total wholesale	-------	4,028,504	87.3	463,093	42.8
City house-to-house	67	437,575	9.5	459,182	42.4
Out-of-town house-to-house	41	149,682	3.2	160,275	14.8
Total house-to-house	-------	587,257	12.7	619,457	57.2
Total wholesale and house-to-house	-------	4,615,761	100.0	1,082,550	100.0

[1] All 320 plants reporting sales were engaged in route business. Only 128 were engaged in miscellaneous wholesale business in addition. See Tables 27 and 28.

More than half of these customers (57.2 per cent) are on house-to-house routes, but the volume of sales made to them is less than 13 per cent of the total, nearly 90 per cent of the sales being made to wholesale route customers, who comprise only 42.8 per cent of the total customers.

About 75 per cent of the total customers reported are on the city routes and these routes do about 74 per cent of the total business. About two-thirds of the total business is represented by the purchases of city wholesale customers, who comprise only about one-third of the customers. City house-to-house customers, who comprise 42.4 per cent of total customers, buy less than 10 per cent of the total output represented by the sales.

Patrons of house-to-house routes are ultimate consumers while those of wholesale routes are retail stores. The average weekly sales per customer on house-to-house routes naturally run very much smaller than on wholesale routes, while the number of customers required to support a route of the former type is very much greater. These conditions are responsible for the relatively high proportion of customers and low percentage of sales on house-to-house as compared with wholesale routes.

Bread and combination bread and other products.—In the foregoing table the sales are those of bread and other bakery products combined, while the total of customers includes customers of exclusively bread routes and of routes selling both bread and other bakery products. Many of the routes included in this study, both wholesale and retail, sold only bread. The following table shows the sales and number of customers, distinguishing bread from bread and other bakery products:

TABLE 19.—*Relative importance of number of customers and sales for wholesale and house-to-house routes by products sold for 320* [1] *commercial baking plants reporting, 1926*

Type of route	Plants selling bread only					Plants selling bread and other bakery products				
		Weekly sales		Customers			Weekly sales		Customers	
	Number	Amount	Per cent	Number	Per cent	Number	Amount	Per cent	Number	Per cent
City wholesale	105	$871,247	73.0	102,539	67.2	179	$2,115,857	61.8	252,226	27.1
Out-of-town wholesale	72	304,869	25.5	33,623	22.1	137	736,531	21.5	74,705	8.0
Total wholesale	------	1,176,116	98.5	136,162	89.3	------	2,852,388	83.3	326,931	35.1
City house-to-house	8	17,370	1.5	15,875	10.4	59	420,205	12.3	443,307	47.7
Out-of-town house-to-house	2	394	(2)	480	.3	39	149,288	4.4	159,795	17.2
Total house-to-house	------	17,764	1.5	16,355	10.7	------	569,493	16.7	603,102	64.9
Total wholesale and house-to-house	------	1,193,880	100.0	152,517	100.0	------	3,421,881	100.0	930,033	100.0

[1] All 320 plants reporting volume were engaged in route business. Only 128 were engaged in miscellaneous wholesale business in addition. See Tables 27 and 28.
[2] Less than one-tenth of 1 per cent.

This table illustrates the fact that the house-to-house plants are on the whole much more likely to be combination plants than are the wholesale establishments. Eighty-eight per cent of the plants engaged in the city house-to-house business, and 95.1 per cent of those in the out-of-town house-to-house business combine business in bread and other baked goods as compared with 63 per cent of the plants doing city wholesale and 65.6 per cent of those doing out-of-town wholesale business, respectively. Over 96 per cent of the total house-to-house sales are those of combination bread and other products plants as compared with 70.8 per cent for wholesale plants.

Section 11. Volume of sales per customer.

In total.—The average customer of a wholesale route buys $8.70 worth of bread and other bakery products per week. He purchases, therefore, about nine times the amount bought by the average customer of the house-to-house route who expends only 95 cents a week. The average house-to-house customer, however, buys 73 cents worth

of bread per week and thus purchases the equivalent of over 10 per cent of the volume of bread purchased by the average customer of the wholesale route ($7.26). In the case of other bakery products the purchases of the house-to-house customer are proportionately greater, amounting to 22 cents per week, or over 15 per cent of the average wholesale customers' purchases of $1.44. On wholesale routes the out-of-town customer buys a larger volume of both bread and other bakery products than the city customer. This is true of bread on the house-to-house routes also, but not of other bakery products nor of bread and other bakery products combined.

TABLE 20.—*Average weekly wholesale and house-to-house route sales per customer for 320 plants distinguishing sales of bread and of other bakery products, 1926*

Type of route	Number of plants	Weekly sales per customer		
		Bread	Other baking products	Bread and other bakery products
City wholesale	284	$7.00	$1.42	$8.42
Out-of-town wholesale	209	8.09	1.52	9.61
Total wholesale	----------	7.26	1.44	8.70
City house-to-house	67	.72	.23	.95
Out-of-town house-to-house	41	.74	.19	.93
Total house-to-house	----------	.73	.22	.95
All route business	----------	3.52	.74	4.26

Bread and bread and other products routes.—The figures in the foregoing table represent averages of the entire route business of the 320 plants reporting, many of which sell other bakery products as well as bread. The averages, therefore, give only an approximate picture of the bread business, and indicate the situation for these bakeries taken only as a whole. But many companies and plants sell only bread and their results show considerable variations from the foregoing figures. This appears from the following table, which shows separately the sales per customer for these two types of plants.

TABLE 21.—*Average weekly wholesale and house-to-house route sales of bread and other bakery products for 320 commercial baking plants distinguishing sales of exclusively bread-baking plants and sales of bread and other bakery products plants, 1926.*

Type of route	Plants selling bread only		Plants selling bread and other bakery products			
				Sales per customer		
	Number	Sales per customer	Number	Bread	Other bakery products	Total
City wholesale	105	$8.50	179	$6.40	$1.99	$8.39
Out-of-town wholesale	72	9.07	137	7.65	2.21	9.86
Total wholesale	----------	8.64	----------	6.68	2.04	8.72
City house-to-house	8	1.09	59	.71	.24	.95
Out-of-town house-to-house	2	.82	39	.74	.19	.93
Total house-to-house	----------	1.09	----------	.72	.22	.94
Total wholesale and house-to-house	----------	7.83	----------	2.82	.86	3.68

The average bread sales per customer on the routes selling bread only are appreciably higher than the bread sales per customer on routes selling bread and other bakery products. This is particularly true of the sales for all routes combined, bread sales on the exclusively bread routes ($7.83 per week) averaging more than two and one-half times the average weekly bread sales per customer on the combination routes ($2.82). This is because the overwhelming proportion of both customers and volume in the house-to-house business belongs to plants selling both bread and other products.

In the wholesale business the volume of bread and other bakery products sold per customer both separately and combined is decidedly greater for the out-of-town wholesale routes than for the city routes. One of the explanations commonly given for this situation is that there are fewer stores per capita in the out-of-town business than in the city business with the result that the volume bought weekly by the out-of-town retailers is somewhat greater than in the city business. Over-the-counter retail bakers are also much more numerous in the urban areas and their competition tends to cut down the volume which can be sold per store. It is also suggested that in the city there is greater competition between the various kinds of foodstuffs than in the out-of-town areas, where the food lines carried by the stores are on the whole less numerous than in the city.

It is also possible that the number of companies serving the out-of-town wholesale customers is less per customer than in the case of the city business, so that the average customer of the city wholesale route tends to divide his business between a larger number of bakers with a lower resulting volume of purchases from each.

Although as noted, the patrons of the straight bread routes buy an appreciably larger volume of bread per week than the customers of the combination routes handling bread and other products, the total purchases per customer for the routes handling bread and other products are not far from the same as the total bread sales per customer of plants manufacturing only bread.

Bread sales per customer for the exclusively bread routes are said to be higher than the bread sales for routes handling bread and other products because of a greater degree of specialization. If a company takes a combination route and splits it into two routes, one selling bread only and the other selling other bakery goods, it is claimed that the total volume done by the two routes will exceed that done by the former single route. As far as the wholesale business is concerned, moreover, the situation is doubtless affected by the fact that the average retailer is purchasing from several companies and has to divide his business.

Section 12. Average number of customers per route.

In view of the low volume of business per customer on the house-to-house as compared with the wholesale route, the question may be raised as to how the various companies can afford to operate house-to-house routes, more particularly in view of the fact that the costs of operating the latter type of route should be about the same as for the former. The expenses of both are of the same general character, the two chief items being salaries and commissions of drivers or route salesmen and delivery expense which consists of the costs of operating and maintaining the wagons and trucks used

to deliver bread and other baked goods. (Table 78.) In the same locality there will be little differences in drivers' rates of pay on wholesale and house-to-house routes. Delivery expense on the wholesale routes should, of course, run somewhat higher on account of the greater average length of such routes, particularly on the out-of-town wholesale routes. On the whole, however, the average wholesale route should be but little more expensive to operate than the house-to-house route.

In part, the explanation of the situation is the obvious one that the number of customers on the house-to-house routes greatly exceeds the number on wholesale routes, thereby offsetting to a considerable extent the much higher volume per customer on the wholesale routes.

Both the number of customers and routes were reported by 346 commercial baking plants, the total number of routes involved being 10,886 and the total number of customers 1,121,058. The tabulation of these customers by type of route was as follows:

TABLE 22.—*Average number of customers per route for 346 commercial baking plants reporting both number of customers and routes in 1926*

Type of distribution	Number of plants	Number of routes	Number of customers	Average customers per route
City wholesale	307	6,291	366,039	58
Out-of-town wholesale	236	2,099	117,932	56
Total wholesale		8,390	483,971	58
City house-to-house	78	1,892	468,662	248
Out-of-town house-to-house	48	604	168,425	279
Total house-to-house		2,496	637,087	255
Total wholesale and house-to-house		10,886	1,121,058	103

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For the house-to-house routes the number of customers per route is between four and five times the number for the wholesale route. This contrasts with the larger volume of sales per customer for the wholesale routes, which is about nine times that for the house-to-house routes. (Table 20.) There is a very slight difference in the number of customers for city and out-of-town wholesale routes, but out-of-town house-to-house routes show an appreciably larger number of customers than the city house-to-house business.

As between exclusively bread routes and routes handling bread and other products there are comparatively slight differences in the number of customers in the wholesale business. There is an appreciable difference between these two types of routes in the house-to-house business, but as the result for the out-of-town group is an average for only three routes and 480 customers the indicated difference is probably neither representative nor significant.

The average number of customers per route for the different types of routes separately for exclusively bread routes and routes handling bread and other products is shown in the following table. It will be noted that this table is based upon only 320 plants, whereas the preceding table employed 346. The reason for this difference is that

26 plants which reported both total routes and total customers did not furnish information as to whether the routes and customers were exclusively bread or combination routes. Though not shown in the table the average number of customers per route for all routes of these 320 plants differs but slightly from those for the 346 plants hown in the preceding table.

TABLE 23.—*Average number of customers per route for exclusively bread routes and bread and other bakery products routes operated by 320 baking plants in 1926*

BREAD EXCLUSIVELY

Type of route	Number of plants	Number of routes	Number of customers	Average customers per route
City wholesale	108	1,931	104,166	54
Out-of-town wholesale	74	610	33,893	56
Total wholesale		2,541	138,059	54
City house-to-house	8	81	15,875	196
Out-of-town house-to-house	2	3	480	160
Total house-to-house		84	16,355	195
Total wholesale and house-to-house		2,625	154,414	59

BREAD AND OTHER BAKERY PRODUCTS

City wholesale	181	4,182	252,976	60
Out-of-town wholesale	145	1,374	77,995	57
Total wholesale		5,556	330,971	60
City house-to-house	60	1,774	444,557	251
Out-of-town house-to-house	39	564	159,795	283
Total house-to-house		2,338	604,352	258
Total wholesale and house-to-house		7,894	935,323	118

Section 13. Average sales per route.

All routes combined.—Although the number of customers per route in the house-to-house business is from four to five times the number per route in the wholesale business, it is evident that house-to-house business per route can show only about one-half of the sales of the wholesale business per route because the average volume per customer on the latter type of route is about nine times what it is on the former. An official of one large baking company stated that he knew from experiments which had been made that a house-to-house route must run about $250 worth of business a week before the route begins to pay, and that a good wholesale paying route should run $450 and up and that no "real money" can be made on a wholesale route that runs under $500 per week. The estimate of this official for his own company is of interest because of the closeness with which the figures given compare with the results for the 327 commercial baking plants which reported to the commission both the number of routes operated and the volume of business per route shown in the following table:

TABLE 24.—*Average weekly sales of bread and other bakery products, by type of route, for 327 commercial baking plants in 1926*

Type of route	Plants	Routes	Bread	Other bakery products	Total
City wholesale	292	6,270	$409	$81	$490
Out-of-town wholesale	222	2,032	457	83	540
Total wholesale		8,302	421	82	503
City house-to-house	67	1,850	180	56	236
Out-of-town house-to-house	43	597	211	57	268
Total house-to-house		2,447	188	56	244
Total wholesale and house-to-house		10,749	368	76	444

The average house-to-house route runs just under $250 weekly, while the average wholesale route averages a little over $500 weekly. In bread and in bread and other products combined the wholesale routes, both city and out-of-town, average more than twice the volume of the respective house-to-house routes. In other bakery products, however, the house-to-house routes sell a relatively higher volume as compared with the wholesale routes, the sales of the latter being only about one and one-half times those of the house-to-house routes. The more varied line of other bakery products which the house-to-house plants ordinarily sell is no doubt partially responsible for their relatively higher volume of other products than bread.

The volume of bread sales and the sales of bread and other bakery products for the out-of-town routes is decidedly greater on the average than for the city business. In other bakery products the route volume also averages slightly greater for the out-of-town routes. The advantage is so small, however, that it may not be representative.

On account of greater average length, the out-of-town routes are said to be somewhat more expensive to operate and should perhaps be expected to produce a larger volume of business per route than the corresponding city routes. This larger volume, however, apparently results from different conditions as between the wholesale and house-to-house business. In the wholesale business it comes about through a larger volume of purchases per customer in the out-of-town wholesale than in the city wholesale business (Table 20), the average number of customers per route in the former business being less than in the latter (Table 22). In the house-to-house business this situation is reversed. Here the number of out-of-town house-to-house customers per route is considerably greater than for the city business (Table 22), whereas the volume of business per customer (Table 20) is a trifle lower.

Exclusively bread routes and routes handling bread and other products.—In the following table are presented the total sales and averages per route for the different types of routes with figures for exclusively bread routes and routes handling bread and other products shown separately.

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TABLE 25.—*Average weekly sales of 327 baking plants reporting both number of routes and sales per route*

	City wholesale	Out-of-town wholesale	Total wholesale	City house-to-house	Out-of-town house-to-house	Total house-to-house	Total wholesale and house-to-house routes
Plants selling only bread:							
Number of plants	108	77		8	2		
Number of routes	1,999	645	2,644	81	3	84	2,728
Sales	$906,761	$327,375	$1,234,136	$17,370	$394	$17,764	$1,251,900
Sales per route	454	508	467	214	131	211	459
Plants selling bread and other bakery products:							
Number of plants	184	145		59	41		
Number of routes	4,271	1,387	5,658	1,769	594	2,363	8,021
Sales—							
Bread	$1,657,251	$601,297	$2,258,548	$316,052	$125,597	$441,649	$2,700,197
Other bakery products	511,206	168,832	680,038	104,153	33,762	137,915	817,953
Total	2,168,457	770,129	2,938,586	420,205	159,359	579,564	3,518,150
Sales per route—							
Bread	388	433	399	179	211	187	337
Other bakery products	120	122	120	59	57	58	102
Total	508	555	519	238	268	245	439

The average sales per route for wholesale plants selling only bread is appreciably below the total for routes selling both bread and other bakery products. On the other hand, the wholesale routes selling only bread sell a much larger volume of bread per route than is sold on the route selling not only bread but also other products. This coincides with the results per customer for wholesale routes shown in Table 21. The same situation as just described holds for the city house-to-house business and also for all house-to-house business, but not for out-of-town house-to-house business. Here there are only three exclusively bread routes and the amount of bread sales per route ($131) is much below that of the routes selling bread and other products.

Section 14. Miscellaneous wholesale business.

General description.—Miscellaneous wholesale business, as has already been pointed out, is done (1) through out-of-town agents, (2) through peddlers, and (3) by rail shipments to retail dealers, and this business amounts in the aggregate to about 4.1 per cent of the total business of the companies reporting (Table 9) and to about 4.7 per cent of the total wholesale business (Table 9).

Out-of-town agents.—At certain outlying points many baking companies, particularly the larger ones, maintain so-called agents to whom bread or other baked goods are shipped, sometimes by rail, sometimes by truck. This practice with reference to the method of shipment varies with the company and presumably is dependent upon the location of the agent with reference to the plant serving him. One of the largest companies most frequently ships by rail, while another company, also of very large size, most commonly ships by truck. Although these distributors are usually termed "agents," this classification is probably not adequate on account of the variations in manner of conducting the business. In some cases these agents are apparently mere employees of the company. In the case of one company operating several plants, for example, it is stated that the out-of-town agents are on the company's pay roll and work on a guaranteed salary and commission basis in the same way as regular route salesmen, while the delivery equipment is owned by the company.

The reasons given for having the men on the company's pay roll is that this is thought necessary to enable the company properly to control their operations. On the other hand, the agent may own his own delivery equipment and sell under specific agency contracts made with the company. This is generally the situation, for example, with the out-of-town agents of one of the largest wholesale baking companies. The company may own the delivery equipment used by some of its agents, while other equipment may be the property of the agents.

Proceeds of the sales of the out-of-town agents are commonly deposited each day in some bank in the agent's locality with which the company has arrangements. This bank each day advises the company by post card the amount of the agent's deposit. These reports can then be checked with the quantities of goods shipped to the agent. In some cases the agent sends in each day a post-office money order for the amount of his sales.

Peddlers.—Peddlers operate their own wagons or trucks and usually obtain their supplies at the plant door, being commonly allowed certain discounts by the baker. This type of distributor may buy supplies from more than one bakery.

Shipping customers.—Some bread, as well as other bakery products, is sold directly to out-of-town retail dealers and others located in the smaller communities not reached by the regular routes of the bakery or its out-of-town agents. Those customers are served by rail shipments—either freight or express. Quite commonly shipments of bread or bread and other bakery products are made to these customers daily, but in some cases shipments may be made only twice or three times a week, or otherwise, as the customer may prefer.

While a number of companies and plants have a few of these shipping customers this business is reported to be steadily declining. Influenced no doubt in part by the development of good roads, numerous small local wholesale bakeries have been opened up in recent years, and this situation is said to be rapidly destroying the shipping business.

Importance of different classes of miscellaneous business.—About 76 per cent of the total miscellaneous wholesale business is in bread. About 40 per cent and upward is done by the out-of-town agents, from 32 to 42 per cent is done through rail shipments to retailers, and the balance through peddlers.

TABLE 26.—*Weekly volume and importance of sales of bread and other bakery products made by 128 [1] commercial baking plants through specified miscellaneous wholesale channels in 1926*

Types of wholesalers	Number of plants	Bread		Other bakery products		Total	
		Sales	Per cent	Sales	Per cent	Sales	Per cent
Percentages by types of wholesalers:							
Out-of-town agents	51	$61,882	39.5	$31,626	65.1	$93,508	45.5
Peddlers	28	29,323	18.7	1,594	3.3	30,917	15.1
Rail shipments to retailers	89	65,527	41.8	15,329	31.6	80,856	39.4
Total		156,732	100.0	48,549	100.0	205,281	100.0
Percentages by bakery products:							
Out-of-town agents	51	61,882	66.2	31,626	33.8	93,508	100.0
Peddlers	28	29,323	94.8	1,594	5.2	30,917	100.0
Rail shipments to retailers	89	65,527	81.0	15,329	19.0	80,856	100.0
Total		156,732	76.3	48,549	23.7	205,281	100.0

[1] Only 128 plants could be tabulated for miscellaneous wholesale business.

The proportion of bread business to total business is highest for the peddlers. Bread composed about 95 per cent of the purchases of this group as compared with 66 per cent for out-of-town agents and 81 per cent for rail shipments to retailers.

The total number of out-of-town agents for which sales were reported aggregated only 285 and of peddlers only 144. On the other hand, the number of shipping customers aggregated over 4,500, or over 90 per cent of the total of the miscellaneous customers.

TABLE 27.—*Number of specified classes of miscellaneous wholesale customers reported for 128 commercial baking plants in 1926*

	Bread		Bread and other bakery products		Total	
	Number	Per cent	Number	Per cent	Number	Per cent
Out-of-town agents	27	4.1	258	5.9	285	5.7
Peddlers	45	6.8	99	2.3	144	2.9
Retailers served by rail	590	89.1	3,978	91.8	4,568	91.4
Total	662	100.0	4,335	100.0	4,997	100.0

Despite the large number of these shipping customers compared with either the out-of-town agents or peddlers, the total volume of sales made to them was only two-thirds of the volume through out-of-town agents and about twice the amount to peddlers.

TABLE 28.—*Average weekly sales and sales per customer of bread and of other bakery products made to specified miscellaneous wholesale distributors by 128 commercial baking plants in 1926*

	Sales to bread customers only		Sales to bread and other bakery products customers						Total sales	
			Bread sales		Other bakery products		Combined			
	Amount	Per customer	Amount	Per customer	Amount	Per customer	Amount	Per customer	Amount	Per customer
Out-of-town agents	$12,324	$456.44	$48,558	$188.21	$31,616	$122.54	$80,174	$310.75	$92,498	$324.55
Peddlers	3,835	85.22	25,488	257.46	1,594	16.10	27,082	273.56	30,917	214.70
Retail customers served by rail	9,881	16.75	41,620	10.46	9,931	2.50	51,551	12.96	61,432	13.45
Total	26,040	39.34	115,666	26.68	43,141	9.95	158,807	36.63	184,847	36.99

The relatively low sales volume and large number of shipping customers, as compared with either out-of-town agents or peddlers, is explained by the differences in the character of the business involved. Out-of-town agents are, in effect, distributors at wholesale, whereas shipping customers are distributors at retail, selling to ultimate consumers. This is indicated by the volume of the weekly purchases, the shipping customers purchasing approximately $13.45 of bread and other products each week whereas the out-of-town agents buy $324.55 of such goods. As already pointed out, the out-of-town agent usually operates a route delivering to retail stores in practically the same

fashion as the bakery carries on its own city and out-of-town wholesale route business. The position of the out-of-town agent, so far as volume is concerned, therefore, is somewhat the same as that of the route salesman on the wholesale baking route. His weekly volume however, averaged appreciably lower than that of the average wholesale route which runs about $503 per week. (Table 24.) The retail dealer reached by freight or express is like any other retail-store customer who purchases from the baking company except that he is served by periodic rail shipments instead of by the regular route delivery. Such customers, however, are probably more like the customers on the out-of-town than on the city wholesale routes since the shipping business is generally to territory much more sparsely populated than the urban areas. It will be noted that the weekly sales to shipping customers ($13.45) are appreciably greater than those of out-of-town wholesale routes which average only $9.86 weekly. As was previously explained in discussing the higher weekly route sales in suburban areas, the number of stores per capita is less than in the city as is also the variety of foods offered for sale, which accounts very likely for the larger volume of sales per customer in the suburban areas.

Section 15. Terms of sale on bread.

Route business.—The bread business is frequently spoken of as a cash business, but in practice this is subject to considerable qualification. According to the figures obtained by the commission, for example, only about 20 per cent of the wholesale routes and 39 per cent of the house-to-house routes reported on sold strictly for cash.

TABLE 29.—*Terms of sale on bread for all house-to-house and wholesale routes reported by 341 commercial baking plants in 1926*

Terms	Total wholesale		Total house to house		Total wholesale and house to house	
	Number of routes	Per cent	Number of routes	Per cent	Number of routes	Per cent
Cash only	1,727	20.2	959	39.2	2,686	24.5
Weekly settlement only	498	5.8	952	39.0	1,450	13.2
Monthly settlement	1	(1)	1	(1)	2	(1)
Cash and weekly settlement	1,783	20.9	255	10.4	2,038	18.6
Cash and monthly settlement	102	1.2	4	.2	107	1.0
Weekly and monthly settlement	32	.4	3	.1	35	.3
Cash, weekly, and monthly settlement	4,127	48.4	159	6.5	4,286	39.0
All other	260	3.1	112	4.6	372	3.4
Total	8,531	100.0	2,445	100.0	10,976	100.0

[1] Less than one-tenth of 1 per cent.

The low proportion of strictly cash business shown by these figures, however, is far from representing the full importance of cash business, owing to the form of the schedule and the method of reporting. Each plant was requested to report the terms of sale employed in each type of route or other business in which it was engaged. In consequence the terms of sale reported are for routes and all customers of each type taken as a whole. If the plant operated 50 city wholesale routes, for example, 49 of which were on a cash basis and only 1 a monthly settlement basis, all 50 routes would be reported as cash and monthly settlement business combined.

An examination of the preceding table shows that though only 24 per cent of the total routes reported were on a strictly cash basis over 58 per cent of the total were selling on the basis of cash in combination with some form of weekly or monthly settlement, or 83 per cent on cash or combination of cash and other forms of payment.

A very large proportion of the baking plants, particularly wholesalers, have some restaurant, hotel, or institutional business. These types of business are not as a rule on a cash basis but settle weekly, biweekly, or monthly. Chain-store business also is usually handled on some other basis than cash. One large company operating several plants handles the restaurant, chain-store, and hotel business on a weekly or biweekly basis as a rule, and its institutional business on a monthly basis. Another large company usually handles restaurants on a weekly basis, as far as practicable, and institutional and hotel business on a monthly basis. In the case of another company chain stores are commonly handled on a weekly basis and institutional trade on a monthly basis.

It will be noted that the proportion of wholesale routes selling either on an exclusively cash or a combination of cash and other basis (90.7 per cent) is appreciably higher than on the house-to-house routes (56.3 per cent). A similar difference exists between city wholesale and house-to-house routes and out-of-town wholesale and house-to-house routes. In the city business the exclusively cash or a combination of cash and some other basis is reported for 91.1 per cent of the wholesale routes as against 60.5 per cent of the house-to-house routes. On the out-of-town business 89.7 per cent of the wholesale routes are on a cash basis, either entirely or partially, as compared with 44.5 per cent of the house-to-house.

TABLE 30.—*Terms of sale for different types of route business reported by 341 commercial baking plants for 10,976 routes in 1926*

Terms	City wholesale		Out-of-town wholesale		City house-to-house		Out-of-town house-to-house	
	Number of routes	Per cent	Number of routes	Per cent	Number of routes	Per cent	Number of routes	Per cent
Cash only	1,265	19.8	462	21.7	770	42.5	189	29.8
Weekly settlement only	368	5.7	130	6.1	632	34.9	320	50.5
Monthly settlement only			1	(1)	1	(1)		
Cash and weekly settlement	1,206	18.8	577	27.1	171	9.5	84	13.3
Cash and monthly settlement	78	1.2	25	1.2	4	.2		
Weekly and monthly settlement	8	.1	24	1.1	3	.2		
Cash and weekly and monthly settlement	3,284	51.3	843	39.7	150	8.3	9	1.4
All other	195	3.1	65	3.1	80	4.4	32	5.0
Total	6,404	100.0	2,127	100.0	1,811	100.0	634	100.0

[1] Less than one-tenth of 1 per cent.

These differences are due entirely to the much larger proportion of wholesale routes reporting combination terms of sale, because the house-to-house routes, both city and out-of-town, report higher proportions on an exclusively cash basis. The relatively low percentages of house-to-house routes reporting some combination of terms are no doubt partly due to the fact that the house-to-house routes do not as a rule sell to chain stores, hotels, institutions, restaurants, and similar establishments. This trade is regarded almost invariably as wholesale business and, as pointed out, is commonly sold on other than a cash basis. If, therefore, a route serving such customers were operated by a house-to-house company it would probably be reported as a wholesale route. There are, however, some house-to-house routes that serve a few wholesale customers.

As appears from the figures, nearly all the house-to-house business is either straight cash or weekly settlement. About 87 per cent of the city routes of this type and over 90 per cent of the out-of-town routes were selling on one or the other of these bases either exclusively or in combination. Weekly settlements are more or less necessary on a good many of the house-to-house routes, it being impracticable for the housewife to pay the driver daily.

The limited extension of credit to the special classes of customers which has been referred to in the preceding discussion by no means represents all of the credit extended to bread customers. Credit is also sometimes allowed to particular retail-store customers by the baking company, while drivers are also permitted by certain companies to extend credit on their own account. In the latter event, however, they are responsible to the company for the payment of the account.

Both of these conditions represent further exceptions to the conduct of a strictly cash business, at least from the standpoint of the buyer.

Driver credit in route business.—Usually driver salesmen are strictly responsible for the collections on their routes and are required to turn in each day the full amount of money collected. In some instances, however, where the circumstances of the customer seem to require it, such a customer may be placed on a limited credit basis, in which case all responsibility of the driver for the settlement from this customer ceases. In addition, it is more or less customary in the bread business, as stated, for the driver to extend credit to customers, becoming himself responsible for the credit given. This credit generally is for the week only, and the driver is usually supposed to settle in full each week for all bread or other products charged to his account. If a customer has not paid, that is the driver's responsibility.

Apparently credit extensions of this character may or may not be a matter of company policy. One organization operating a number of plants requires wholesale drivers to post a cash deposit of $100. The driver may then extend credit to his customers up to the full amount of this deposit, but the company will not carry him beyond that amount, and even then he is required to settle every week in full. The same system is also employed by this company on its house-to-house routes. Another large company also operating several wholesale plants states that its drivers are not supposed to give credit unless the credit is authorized by the sales manager. Each driver is required to settle every day, bringing in either cash or properly signed charge or "short" slips approved by the sales manager. If the driver trusts a customer, therefore, he does so on his own responsibility, but some of the drivers do extend credit on this basis.

The following table shows the number and proportion of plants reporting and routes for which driver extension of credit is reported:

TABLE 31.—*Number and proportion of plants and routes for which drivers' extension of credit was reported by 360 commercial baking plants in 1926*

Type of business	Plants		Routes	
	Number	Per cent	Number	Per cent
City wholesale	159	50.8	2,872	44.3
Out-of-town wholesale	144	57.8	1,256	55.8
City house-to-house	59	77.6	1,685	92.4
Out-of-town house-to-house	44	91.7	621	97.0

It will be noted that the bulk of plants in the house-to-house business permit driver extension of credit and that such credit is customarily granted on all but a very small proportion of these types of routes reported for. It seems probable, therefore, despite the high proportion of house-to-house routes reported on a cash basis (Table 29), that an extremely small proportion of such routes are on a cash basis from the customer's standpoint.

Credit in the miscellaneous wholesale business.—Approximately one-half of the plants reporting on the out-of-town agency business employed a strictly cash basis of settlement for bread and other products.

TABLE 32.—*Terms of sale for bread on specified miscellaneous wholesale business reported by commercial baking plants in 1926*

Terms	Out-of-town agents		Peddlers		Rail shipments to retailers	
	Number of plants	Per cent	Number of planrs	Per cent	Number of plants	Per cent
Cash only	26	52.0	10	37.0		
Weekly settlement only	14	28.0	12	44.5	51	64.6
Monthly settlement only	1	2.0	1	3.7	3	3.8
Cash and weekly settlement	2	4.0	2	7.4	4	5.1
Cash and monthly settlement					3	3.8
Weekly and monthly settlement	1	2.0			12	15.2
Cash, weekly, and monthly settlement	4	8.0			2	2.5
All other	2	4.0	2	7.4	4	5.0
Total	50	100.0	27	100.0	79	100.0

As previously explained, the arrangement with these agents in many cases is that the proceeds of each day's sales must be deposited in a local bank to the credit of the baking company or forwarded by post-office money order. Weekly settlements, however, are employed for this business by over 25 per cent of the plants reporting. A larger proportion of the plants selling to peddlers employ weekly settlements than sell on the cash basis. Sixty-five per cent of the plants serving retailers by rail handle this business on a weekly settlement basis and over 83 per cent of them on weekly or monthly settlements exclusively or in combination. Most of these customers

are country stores. These stores do a very large volume of credit business, and credit extension by the baker is, therefore, more necessary for these stores than for other retailers.

Quantity discounts.—Bread is relatively seldom sold subject to any quantity discounts, as appears from the following table. Only in the city wholesale business was there a considerable proportion of the plants (15.2 per cent) reporting quantity discounts.

TABLE 33.—*Allowance of quantity discounts on bread by 322 commercial baking plants in 1926*

Types of business	Number of plants	Discounts allowed		Discounts not allowed	
		Number	Per cent	Number	Per cent
City wholesale	302	46	15.2	256	84.8
Out-of-town wholesale	224	19	8.5	205	91.5
City house-to-house	72	2	2.8	70	97.2
Out-of-town house-to-house	45			45	100.0
Out-of-town agents	46			46	100.0
Peddlers	18			18	100.0
Shipping customers	63	1	1.6	62	98.4

Out of the 322 plants reporting, 274, or 85.1 per cent, allowed no quantity discounts to any class of customers.

Sixty-six plants doing city wholesale business reported the types of customers granted quantity discounts. Twenty-three plants, or about 35 per cent, gave discounts to restaurants; 24, or over 36 per cent, to chain stores; and 3, or 4.6 per cent, to institutions.

CHAPTER IV

COMPETITIVE ACTIVITIES OF AMERICAN BAKERS' ASSOCIATION

Section 1. Organization.

The American Bakers' Association, with headquarters at Chicago, was organized in 1897 as the National Association of Master Bakers, and under that name was incorporated in 1916 under the laws of the State of Illinois. In 1920 its corporate name was changed to American Association of the Baking Industry, and again in 1923 to its present name. Its present constitution and by-laws were adopted at the annual convention held in September 1921, and amended from time to time since that date.

Constitution.—The purpose of this association as set forth in its articles of incorporation and constitution are those common to such organizations. Among others is this (sec. 2 of the constitution):

> Specifically developing the industry by establishing and maintaining the highest ethical trade practices among its members.
> (*a*) By rigid enforcement of standards.
> (*b*) By granting licenses to use the association emblem.
> (*c*) By acquainting the public through advertising and publicity with what membership in the association represents, exploiting its standards of membership and the significance of the association emblem.

The association has a governing board designated as board of governors. This board is made up of 27 men elected for a period of three years from different parts of the country and different branches of the industry. Nine governors are elected each year by members of the association in the annual convention.

Among the duties and powers of the board of governors are the following: The board has general charge of the affairs of the association. Immediately following the annual convention it must elect a president, treasurer, first vice president, and second vice president of the association, who, together with the past president and five members selected from and by the board of governors for a term of three years, constitute the executive committee. The board or executive committee may elect a secretary and business manager. The board has the power of suspension and cancellation of membership and recommends from time to time changes in standards and requirements for membership. The board by affirmative vote of two-thirds of its members may adopt or amend the by-laws of the association. It may fill vacancies occurring on the board during the year, the members selected to serve until the next annual meeting of the association.

In the matter of complaints of unfair competition the board is vested by the constitution with powers as follows:

> The board of governors shall receive all complaints of unfair competitive practices arising between members in any community and upon receipt of such complaint give immediate acknowledgment of same and shall have full power, but only upon the invitation or with the consent of all parties affected by such competitive practices or concerned therewith, to employ any form of investigation into the merits of issues between members, to effect settlements where possible, to act as arbitrators after hearing testimony, and to determine such action as the association shall take with respect thereto.

The executive committee has direct charge of association affairs under the direction of the board of governors. Among its powers is that of approving all applications for membership and the appointments by the president of all standing committees. The five members of this committee selected by and from the board of governors are chairman, respectively, of five standing committees provided for by the constitution, each having five members.

The remaining members of the standing committees are appointed by the president. These committees are as follows: Public relations, trade promotion, American Institute of Baking, finance and auditing, and trade and industrial relations.

The duties of the standing committees are not set out in the constitution, but, as stated by the secretary and business manager of the association, are for the trade and industrial relations committee and the public relations committee, as follows:

> In general, the trade and industrial relations committee functions as a clearing house for correspondence which has to do with unethical practices on the part of members, which is concerned with labor troubles and other matters, which, while of direct personal interest to the individual member, have some application to the status of the entire baking industry.
> The public relations committee functions as a committee to which all matters having to do with State or Federal legislation are referred. These committees are largely advisory in their capacity and serve for the most part as a background for the routine activities of the association, being called on for special work only on such rare occasions as when major difficulties arise or when important legislation necessitates definite action on the part of the association.

It will be noted from the foregoing that the board of governors is vested by the constitution with the power of investigating complaints of unfair competitive practices and of effecting settlements where possible, and that the committee on industrial relations is the agent of the board through which such action may be, and has usually been, taken. The committee is reponsible to the board, which may review and amend its action. Its chairman is a member of both the board and the executive committee, and its other members are usually members of the board.

Minutes of a meeting of the board of governors, November 19, 1923, record the organization of a management committee determined upon at a board meeting the previous September:

> Organization of the committee approved and its members appointed. The duty of the committee is to work in cooperation with the director and manager in carrying on the work of the American Bakers' Association.

Of this committee and its work, H. E. Barnard, at that time secretary and business manager of the association, said:

> The management committee is a committee composed of the president, the chairman of the finance committee, and the treasurer, together with the secretary of the association, who is not a member of the board of governors. The committee meets once each month for the purpose of reviewing the affairs of the association with particular respect to income and expenses. It further serves to advise the board of governors and the members of the association of all association and institute activities.

Minutes of the meeting of the management committee, November 19, 1923, stated:

> At a meeting of the American Institute of Baking, Monday, November 19, 1923, the management committee was asked to serve for the American Institute of Baking in the same way as for the American Bakers' Association.

The important place this committee now holds in association management is pointed out by S. S. Watters, Pittsburgh, member of the board of governors, in a letter to L. J. Schumaker, Philadelphia, newly elected president of the American Bakers' Association, October 9, 1925:

> The work of the board [of governors] is fairly well organized and to-day really represents little other than routine matters and reports of committees. The real work is conducted by the board of management [management committee], which meets monthly.

Closely affiliated with the association is the American Institute of Baking, incorporated under the laws of the State of Illinois, March 3, 1922. Its management until November 12, 1925, was vested in the board of governors of the American Bakers' Association, functioning more directly through the association's standing committee on the American Institute of Baking. Since then the management of the institute is vested in 12 trustees, 8 of whom are from the board of governors of the association and 4 from the allied trades. It operates research and service laboratories and also a school of baking and publishes a journal, Baking Technology. It is financed by tuition and service fees, by various endowments, and by the American Bakers' Association. One of its endowments is the American Bakers' Foundation, incorporated under the laws of the State of Illinois.

Any individual, firm, or corporation engaged in the baking business may become a member of the American Bakers' Association on application for membership in writing, wherein the applicant agrees to abide by all rules and regulations of the association and on approval of the executive committee. [1] Such member is required to pay annual dues of $25 per oven for any one or more of its manufacturing plants. Power is lodged in the board of governors to suspend or cancel a membership for cause. Provision is also made for association membership. Any trade association whose members manufacture bakery products may become affiliated with the American Bakers' Association by declaring its adherence to the constitution and on payment of the dues for the bakery plants of one or more of its own members.

At all meetings of the association each individual and association member has one vote for every plant upon all ovens of which such member has paid dues.

On June 6, 1925, the American Bakers' Association had 13 association members and 648 individual members, the latter representing, however, only 526 firms under the foregoing provisions of the constitution, which allows one vote for every plant upon all the ovens of which dues are paid. There were 2,972 ovens upon which dues were being paid, representing from this source an annual income to the association of $74,300.

By-laws.—By-laws of the American Bakers' Association covering membership standards were considered by the executive committee at a series of meetings in Chicago in November, 1921. The following is from the minutes of those meetings:

> Discussion centered on the sanitation and code of ethics feature of the standards for membership. The meeting adjourned for luncheon without final action.
> * * * * * * *

[1] Art. IV, secs. 4 and 5 of the constitution.

> Much time was devoted to a detailed discussion of the provisions for standards of sanitation and code of ethics, following which it was suggested that a committee be appointed to retire and reconcile the differences and present a recommendation to the executive committee for adoption. The president appointed the following committee: Jay Burns, W. E. Long, A. L. Taggart, F. H. Frazier, Ellwood M. Rabenold, and Dr. H. E. Barnard.

The following report of the committee was presented:

> Your committee appointed especially to draft the suggestions for incorporation in the by-laws of this association, as setting forth eligibility tests for membership, begs to report that the committee suggests the following.

[Then follows a statement (entitled "Membership") of the sanitary code, which was later adopted with the insertion of "and regulations" in line 2. (Appendix 1.).]

> Application for membership shall be in writing, wherein the applicant must agree to conform and maintain the above standards, and also agrees to abide by the rules and regulations of the association and subscribe to the following code of ethics. [Appendix 1.]
> * * * * * * *
>
> Mr. BURNS. That covers everything save under the code of ethics where it says: "I recognize my duty to the American home, my employees, and my fellow bakers." The committee was not quite in harmony with the thought suggested there, but we have not found the phraseology to express it and that can possibly be fixed later on.
> * * * * * * *
>
> There followed a lengthy discussion on the function and field of the industrial relations committee, also the basis for determining the dues in the association.
> * * * * * * *
>
> *Resolved*, That the president of the association [Mr. W. M. Campbell], acting in conjunction with Doctor Barnard and Mr. Rabenold, be appointed a special committee to draft the by-laws of the association. * * *

The following minute occurs for a special meeting of the executive committee January 22, 1922:

> The secretary then presented the following form of application for membership. [Appendix 1.]

The sanitary code prescribes certain conditions pertaining to location and construction of the plant and operating methods and health of employees.

The code of ethics sets up standards of dealing with the buying public, employees, and competitors. Relating to competitors are the following:

> To be fair in all my relations with my competitors and consistently to abstain from all practices which are recognized by trade associations in general, and by this association in particular, as unfair trade practices; in the interest of fair prices and fair profit, at all times to keep and maintain adequate cost records and to give honest information to any official or inspector entitled thereto; and, recognizing in the giving of premiums and secret discounts a serious trade evil * * *, to abstain from initiating any such practices in the conduct of my business and to abstain from such practices except as compelled by competitive conditions.

The by-laws, through the code of ethics, thus seeks to discourage all trade practices regarded as unfair by the association, and in particular names the giving of premiums and secret discounts. It is left to the committee on industrial relations or to the board of governors to determine what other trade practices, if any, shall be regarded as unfair under the code. One of these over which there has been much dispute is that of coupon giving.

Amendments to the constitution and by-laws.—The annual convention of the association meeting at Chicago September, 1922, amended the constitution and by-laws, on recommendation of the board of governors, in several particulars.

Prior to this convention members were pledged by the code of ethics to abstain from practices regarded as unfair by the association and the board could enforce the pledge by the penalty of expulsion. A case of price cutting, however, in which the president of the association was involved, brought about the amendment of the by-laws purporting to make the code of ethics declaratory rather than obligatory. This case is treated below (see p. 76.) The following is the amendment:

> That the new board of governors as constituted pursuant to the election of governors at this annual meeting be directed to amend the by-laws and modify the form of application for membership so as to make the sanitary code and code of ethics merely declaratory as the basis for an educational campaign among the membership of the association and throughout the baking industry, instead of mandatory and obligatory as conditions precedent to membership.

This amendment was accepted by the new board of governors at a meeting September 15, 1922.

Pursuant to the above action the application of membership (see Appendix 2) was revised to omit any pledge to observe the two codes.

The by-laws as now published in the prospectus relate entirely to membership in the association. Division I of the by-laws reads as follows:

> All applications for membership shall be in writing, whereunder every applicant must agree to abide by all the laws and regulations of the association.

Division II is substantially the amendment quoted above, followed by the sanitary code. This amendment is a substitute for the following:

> Every applicant must qualify under the membership standards herein below set forth and he must agree to conform to and maintain these sanitary standards.

Division III recites the code of ethics introduced by these words:

> Every applicant must subscribe to the following code of business ethics.

From a study of the correspondence of the association and records of the meetings of the board of governors, this change in the by-laws, which was first proposed by the board, appears to have been forced upon it by the embarrassment which the association experienced when complaint was lodged against its own president for alleged violation of the code of ethics, and the difficulty of enforcement under such circumstances, and not because the code or its enforcement appeared any the less desirable.

That the association fully intended to stand behind its code of ethics and maintain it, following its original adoption, is shown by the following from a letter by Mr. Barnard to F. Boede, Royal Baking Co., Salt Lake City, February 24, 1922:

> I note your objection to paragraph 8 of the code of ethics, in reference to the giving of premiums and secret discounts. This particular paragraph was discussed at great length at the meeting of the board of governors in November. The board wished it to stand as a positive pledge, but in view of the fact that members of the association are always in competition with nonmembers who are not bound by any code of ethics, it seemed advisable to provide some way by which when necessary the member could protect his interests, and so after much thought the phrase "except as compelled by competitive conditions" was added. This does not break down the soundness of the argument or validity of the pledge, although it does, when the occasion demands, offer the member a means by which he can meet ruinous competition without first resigning his membership. That is the reason why the clause was added. It undoubtedly weakens the section, but we believe that in most cases our members will fight to the end before they adopt the unfair methods and weapons of their competitors.
>
> You may be very sure that the association will do everything it can to maintain its code of ethics.

The code itself, unchanged in any particular by the amendment, remains a part of the by-laws which still require the applicant to subscribe to the code and to pledge himself to its obligations. That the code is regarded as still carrying a certain moral obligation is evident from the excerpts of letters appearing below. H. E. Barnard, secretary-business manager of the association, to Elliot H. Goodwin, vice president, Chamber of Commerce of the United States, Washington, July 1, 1924:

> Can you, without expense to our office, send us 800 copies of the Principles of Business Conduct and of Judge Parker's address? We shall be glad to put them in the hands of each one of our members, together with a letter emphasising the growing appreciation of the value of codes and again calling attention to the necessity of living up to every provision of codes after they have been adopted.

Mr. Barnard to John N. Van der Vries, Chamber of Commerce of the United States, Chicago, July 21, 1924:

> The finest thing which can be done for American business is to set up "principles of business conduct." I only wish it were possible to devise means by which they might be enforced.

I. K. Russell, editor Baking Technology, Chicago, to John A. Hoffman, Barker Baking & Candy Co., Bismarck, N. Dak., December 2, 1924:

> Some little bakers thought it laid down conditions only big and rich bakers could meet and therefore was aimed at their existence. The first uproar of opposition has died down by now, and more and more the bakers are making the code a real, living religion with them.

Mr. Barnard to H. C. Morris, Tasty Baking Co., Philadelphia, March 25, 1925:

> Even in our own association we have made definite progress. We have a code of ethics. Many of our members, indeed, I think most of our members, respect that code and do all they can to live within its limitations. I suppose this is all we can hope for. There seems to be no way under existing conditions in American industry by which an industry can penalize its members for violating codes.

While the application for membership in the association following the 1922 convention no longer carried with it a formal pledge to abstain from specified competitive practices, the association through its head offices and the industrial relations committee continued its endeavor to secure observance of the code of ethics and to adjust differences between competitors in the baking industry. Mr. Barnard to E. W. McCullough, United States Chamber of Commerce, Washington, October 1, 1923:

> Our trade and industrial relations committee has thus far confined its efforts to the settlement of trade wars, clearing up unsatisfactory trade practices, and, in general, keeping things smooth within the industry by impressing upon our members that codes of ethics are just as important in the baking industry as they are in any other industry.

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The convention of 1922 also amended article 10, section 7, of the constitution to read as follows, the italicized clause being inserted:

The board of governors shall receive all complaints of unfair competitive practices arising between members in any community, and upon receipt of such complaint give immediate acknowledgement of same and shall have full power, *but only upon the invitation or with the consent of all parties affected by such competitive practices or concerned therewith,* to employ any form of investigation into the merits of issues between members, to effect settlements where possible, to act as arbitrators after hearing testimony, and to determine such action as the association shall take with respect thereto.

Concerning the meaning of this amendment, Mr. Barnard a year later writes to L. A. Schillinger, Baltimore, then newly elected chairman of the industrial relations committee, as follows:

This amendment can be interpreted in several different ways. You will, I assume, make your own interpretation and construe its phraseology with sufficient liberality to give you all the authority you may need in handling matters which may come to you as the spokesman for the governors through your committee.

Trade and industrial relations committee.—Following the adoption of the constitution and by-laws (including the code of ethics) in 1921 and 1922 the American Bakers' Association was active in attempting to adjust differences between competitors, the effort being made principally through the industrial relations committee. In the earlier years of this period the chairman of this committee relied largely upon the secretary's office, as shown by the correspondence below between H. E. Barnard, secretary-business manager, and S. F. McDonald, Memphis Bread Co., Memphis, Tenn., chairman of the committee. I. K. Russell, referred to therein, was editor of Baking Technology, the organ of the association, from early in 1922 until his connection with the association terminated in 1925, and made frequent excursions into the field as conciliator and arbiter for the association in trade and industrial disputes. Concerning his work as conciliator in bakers' competitive struggles, Mr. Russell has the following to say in a letter to Walter C. Spitz, Danville, Ill., October 31, 1922:

Now, I have been employed to go around and try to get meetings between bakers with grievances like the one you folks asked for at Danville. We can't force them till both sides consent. But where one side would not consent I heard the other side and pressed and pressed those matters, and I know which group of bakers could smile through the national convention we held this September.

Mr. McDonald to Mr. Barnard, February 20, 1922:

With relation to the industrial committee: Will you be kind enough to have Mr. Russell inform himself as to the correspondence with relation to Walker at Fort Worth, Tex.; the Hazleton, Pa., matter; the Fort Wayne matter; the Seattle matter; the Danville matter I believe is cleared up; and in the future please start him out to handling these cases, and I shall be glad to contribute my thought on the matter, but I would like to have them handled from up there, as I am certainly not going to be able to do justice to it from this end.

Memorandum by Mr. Barnard for Mr. McDonald, February 24, 1922:

I have your letter, in which you suggest that Mr. Russell get in touch with some of the trade and industrial controversies. This he will be glad to do.

I hope that his wide experience with the War Labor Board will stand him in good use in these matters, although I am very sure that his record of 200 investigations without a failure can hardly be duplicated in these bakers' situations. As a matter of fact, I am looking for more good to come out of the advancing price of wheat than from any efforts the association may put forth to adjust the ethical codes of individual bakers.

I shall not assume, however, from your suggestion with respect to Mr. Russell that you wish to step aside from the consideration of these matters. My thought is that all these controversies should be referred to you as chairman of the committee, and then if you think best you will refer them back to us with your suggestions. This would seem to be the proper way to handle the cases.

Mr. McDonald's reply to the foregoing, February 28, 1922:

I am sure that Mr. Russell's help is going to be very useful. I shall be glad to assist you in commenting on situations, and if you will continue to refer them to me I shall do the best I can to help him, but as to carrying on the correspondence and handling the detail of it I will have to be relieved of it.

Regarding the importance of the work of the committee at this time, Mr. McDonald in a memorandum for Mr. Barnard, March 13, 1922, says:

It begins to look as if the industrial relations committee is going to be called upon to do about 90 per cent of the association's work; that is to say, it looks like about 90 per cent of the effort of the bakers of the country is to rock the boat. A great many feel an objection to the Government setting out certain well-defined rules for the baking business; the longer I am in it the more I think it is becoming necessary.

Early in December, 1922, the board of governors held a meeting at Chicago at which time the committee on industrial relations submitted to the board a report for which the new chairman, R. K. Stritzinger, Norristown, Pa., stated that the association counsel, Mr. Rabenold, was largely responsible. The report in part was as follows:

The committee has received numerous complaints against trade practices alleged to be unethical and unfair, and we have considered it within the functions of this committee to handle these complaints, although they have to do with trade relations rather than industrial relations, and, subject to the approval of this board, we have determined upon the following procedure:

When any such complaint is received, it is to be acknowledged by the office of the association and then referred to this committee. All members are encouraged to address their communications to the association office, and all files shall be kept there, with copies to the committee chairman.

If in the judgment of the committee the complaint is in good faith and upon its face is cognizable, a copy [is] sent to the party against whom the complaint is made with the request that the other side of the case be stated for the information of the committee. Your committee considers that any member of the association and any nonmember in the baking industry will welcome an opportunity to know and answer any criticism which may be directed at his or its trade conduct. It is really an act of friendliness.

When an answer is received it is transmitted to the party making the complaint, with an expression of the committee's judgment whether the matter merits any further attention. At the present time it is our judgment that only flagrant cases should proceed beyond such an interchange of letters. In most cases the criticism, such as it may be, can be obviated without any publicity.

If the nature of the complaint or the extent of it requires special attention, the matter should come first before the board of governors, where more formal opportunity will be extended for thrashing out the issues; and if this procedure is not adequate the party complaining should be referred to such authorities as may have jurisdiction.

In one particular situation involving alleged unfair trade practices your committee does now ask consideration by the entire board of governors.

There have been so many complaints of such a vigorous character lodged with this committee against the distribution of coupons by one of the largest baking concerns doing business over a wide territory that it seems necessary to reach a decision. It is the unanimous sense of your committee, upon the evidence submitted, that such distribution of coupons as practiced in the cities of Memphis, Tenn., and Utica, N. Y., those being two centers from which the chief complaint has been received, is unfair and should be stopped. Before recommending action, however, your committee desires an expression from the board of governors.

The complaints received from the extreme Northwest—the States of Montana, Idaho, Washington, and Oregon—would seem to justify comprehensive treatment. The difficulties arise chiefly from personal snarls into which the baking industry has fallen. We recommend that Mr. I. K. Russell be authorized and directed as a representative of this association to make a trip to such points and to meet such groups upon such itinerary as may be arranged at the earliest possible moment, and Mr. William Matthaei to act as a friendly mediator. We consider Mr. Russell's experience in Washington and the fact that he once resided in Tacoma as working strongly in favor of success.

Earnest consideration has been given to chain-store competition, which in some sections of the country has become very keen and rather destructive. Your committee has had to conclude, regretfully, that, except in an unusual extraordinary situation where the shipment may be shown to have been made in interstate commerce and thus conferred jurisdiction upon the Federal Trade Commission, there is no existing agency which can grant authoritative relief.

Correspondence concerning certain of the cases involving unfair practices which the committee handled, referred to in the above report, is given in succeeding sections of this chapter.

The minutes of this meeting of the board show the following discussion by its members on the practice of giving coupons with bread to be redeemed at the time of subsequent purchases, which the industrial relations committee referred to in its report quoted above:

Mr. Livingston suggested that he would like to hear from members as to why the practice is unfair—what are the methods used?

Mr. MARSHALL. As I understand it, the coupons are given in different parts of the city, in stores. It is my knowledge that the coupons are redeemed at 5 cents in trade to the grocer.

Mr. STRITZINGER. A large number of the members of the committee have been guilty in the past, but we had the complaint formally before the board from two different sections. It was a continuing practice and the association should take cognizance of it.

Mr. BURNS. I don't agree with either Mr. Stone's views, who does not see any harm in coupon giving, and thinks it is merely a temporary means of getting business, or that of the chairman of the committee. The giving of coupons is simply a subterfuge for cutting the price, and is not introductory but permanent. We have all been guilty of practices that ought to be abolished. We got rid of it in Omaha by an agreement with the bakers. We ought to go on record as opposed to it.

Mr. TAGGART. I believe that if you press this question before the board for a decision you are asking the board to make a decision without a knowledge of the facts. The facts may be that in certain cases there has been harm done and in others that there has been good from the same practice. I feel that is one of the things that eventually, if the sales promotion department functions properly, we may have some basis to come to a decision on. You are getting down to some splitting of hairs because some baker may be unfair in cutting the price by making a better loaf of bread that costs more money to manufacture. I would hate to see a motion passed at this time because I believe the board of governors should not act upon it with an opinion arrived at by a rather localized experience.

Mr. KORN. Is the committee satisfied with the expressions of the board?

Mr. STRITZINGER. The committee would like to have an expression from the board of governors as to whether they consider it sufficiently unfair.

Mr. Russell spoke about the recent trouble in Texas.

Mr. STUDE. I would suggest to the chairman that a letter be sent to the giver of these coupons something like this: "The committee appreciates that this form of trade getting will some day cease; therefore it is not willing to express itself as construing it to be unfair. It hopes the trade will abolish the giving out these coupons. That it will be more careful in the future to limit the distribution of it. No complaint except indiscriminate giving of coupons."

Mr. Burns's statement is significant both as to how the practice is regarded by a portion of the trade and as to the method used in Omaha to get rid of it.

With regard to the recommendation of the committee to send Mr. Russell to the extreme Northwest as a representative of the association to assist in settling trade wars, the following minutes show the action of the board:

Mr. STONE. If he is worth anything to the bakers, why can't we fix some small sum? If those fellows would like to have this association take part in it, it ought to be worth something.

Mr. MATTHAEI. I believe every section of the country has at sometime or other enjoyed the visit of some member of the national association. I believe that section of the country is entitled to a little consideration. Our membership is only very small, but there is a lot of good timber out there. I believe the time is ripe when this association had better use the funds it has to give the members personal, intimate, immediate assistance, and I would like to make a motion that Mr. Russell be sent to the Northwest, as requested.

It was suggested that he return through Houston for the same purpose. The motion was seconded by Mr. Swanson and carried.

Mr. TAGGART. I would like to give the committee the privilege of using its discretion as to where he should be sent.

Minutes of meetings of the board of governors contain some references to the work of the committee on industrial relations. These would seem, however, from an examination of the correspondence of the association (see letters quoted in succeeding sections of this chapter) to cover only a small portion of the activities of this committee in the settlement of competitive differences, and practically no details are given in these minutes. In addition to the report of the committee of December 4, 1922, quoted above, the following reports are taken from the minute book:

February 18, 1922:

Mr. MacDonald [chairman of the industrial relations committee] reported at length for the committee on industrial relations, giving a survey of the work done in Danville, Ill., Belleville, Ill., Fort Wayne, Ind., Seattle Wash., and Fort Worth, Tex. He stated that the correspondence had by this committee was steadily increasing, and that the committee had every prospect of being able to be of substantial advantage to the baking industry within and without the membership of the association in the adjustment of disputes.

This same report of the industrial relations committee appears in the following more detailed form in the "stenographic report" of the third meeting of the board of governors, February 18, 1922:

TRADE AND INDUSTRIAL RELATIONS COMMITTEE

Mr. MACDONALD. Chairman and gentlemen, I am going to give you a short résumé of what happened.

The first thing that came to our attention was the situation down at Danville, Ill. That has been straightened out to the satisfaction of everybody, I understand.

The matter at Seattle was a very serious trade [bread (?)] war. We immediately sent telegrams and through our representative out there proceeded in getting a meeting of the bakers there. They realize what the national association is now, and that affairs local are affairs of national importance, and they contribute to unsettled conditions. They have realized that up there, I understand, and are now in the process of adjusting gradually their affairs.

At Fort Wayne, Ind., I am not informed as to just what the situation is there. I understand it is clearing up, but our chairman could inform us a little more fully than I can.

The CHAIRMAN. It is not all sunshine, but I think some of them are commencing to realize it probably.

Mr. MACDONALD. I have a telegram from the Fort Worth Bread Co., Fort Worth, Tex., saying that they have a strike on now which is the result of the refusal

of their two crew foremen to join the union, and they asked for help from the committee on industrial relations. I wrote them as follows [reading of Mr. MacDonald's letter]. My help to him consisted of advice which he seems to be following along and I think his strike matter is now about settled in a way that he has an open shop.

Belleville, Ill., wrote us, asking the help of our committee, saying that bread was shipped in that town which was made at night in St. Louis, which was against their rules.

Mr. PAISCH. I will give you a little light on that subject there. He is under the jurisdiction of the bakers' union in Illinois, and they in that part of the country prohibit night work, while St. Louis permits night work. The situation is that any baker opposing maintaining membership in the union of southern Illinois has the privilege of working nights, while at St. Louis they may do so. I think it should be taken up with the national union, calling their attention to the existing contracts and the conflicting rules with reference to the sale [?] of bread at night in St. Louis.

Mr. MACDONALD. We have a letter from Hazelton, Pa., complaining that one of his competitors is indulging in a premium giving campaign. That matter has just come up and we have not done anything with it. Doctor Barnard asked if there is some way we can work out such problems as that. I have not been able to find anything up to this date. Doctor Barnard states that he will have to have a secretary here to handle his correspondence. I am satisfied that is going to be so.

There are various matters here that I want to state [study(?)]. I have brought them up, not that they are ethically connected with this commission [committee (?)]. One of them is the express-rate matter. Now, I believe we will have a report on this express-rate matter from Mr. Hickock, but I want to suggest that that ought to have a committee appointed to work directly with our attorney in this express-rate matter or any other matters that we have to bring up. Now, the matter of adjustment of these express rates is highly necessary. It is becoming a great percentage of the value of the product shipped; too much so.

I have also brought up for consideration an idea looking into an effort before the Federal Trade Commission to secure, if possible, the setting out more clearly of the baking industry as an industry in the records of the Federal Trade Commission, and establishing of unethical features and of costs which are necessary to assess against the baking of bread, from this standpoint. That we have competitors who are not in the bread business as a business, but in other lines of business and have conceived the idea of having bread baking on the side as a possible means of drawing trade.

September 12, 1922:

Resolved, That a report of the thought of the board of governors be drafted for presentation to the convention by Mr. Rabenold.

Mr. McDonald moved that one of the points to be made in the report was that the language of the code of ethics and the sanitary code in the by-laws should be so revised that it be declaratory rather than obligatory. The motion was seconded by Gordon Smith and adopted unanimously.

September 10, 1923:

Report from Mr. Stritzinger, chairman of the trade and industrial relations committee, was then called for. Mr. Stritzinger briefly reported all the cases before the committee had been settled with the exception of the case arising in Denver. This case had been referred to the president of the Colorado Association, who replied that the subject had been going on for two years. Mr. Stritzinger said that he had referred the matter to the president with a suggestion that it be settled in Colorado where it started.

May 14, 1924:

The industrial relations committee reports quite a bit of progress in the past several months in allaying some of the troubles among the bakers that have come to our attention. Fortunately for my associates on that committee it has not been necessary to call on them for work. We have run into many problems of premiums and a great many unethical things that have been obstacles more or less. Where we have been able to get full cooperation among the bakers where these troubles were started, in many cases where there has been a premium condition, we have been able to get action [?] and kill the premium condition immediately, with the price condition working itself out. That in a great number of cases has worked out.

I am not here to recommend a code of ethics to this organization. I don't believe we need it. In smaller organizations, group States, etc., it is working very nicely, but I believe our governors should determine in their own minds those things which are unethical. I think the premium condition is giving trouble for the industrial relations committee to work on.

There is another condition, such as buying group space in newspapers solicited by churches to participate in advertising in this group page of manufacturers, producers, etc., which has come up in four or five localities to my attention so far this year, and up to the present time I have not been able to wipe that condition out altogether. I want to ask the governors to cooperate with the industrial relations committee and shut down on that kind of publicity.

Other than that I can report some progress and some very efficient work, of which we will give you a final report at the end of the year.

The second paragraph of this rough draft was omitted in the minutes as they were finally written up and the first paragraph was made to read as follows:

Mr. Schillinger, as chairman of the trade and industrial relations committee, reported progress in the past several months in allaying some of the troubles in the baking industry, such as the problem of premium giving and unethical conduct due to lack of harmony and cooperation. In cases where the full cooperation of the bakers was obtained, he reported that he had been able to remove the source of trouble.

September 24, 1924:

Mr. Schillinger, chairman of the industrial relations committee, reported that, as far as his knowledge is concerned, there are no battles going on among the bakers at the present time. However, the personnel of the committee had just been appointed, and he had assurance from the president that additional names would be added if it seemed necessary to geographically represent the association.

The following is a copy of a letter written by L. F. Bolser, president, American Bakers' Association, Minneapolis, to L. A. Schillinger, chairman, trade and industrial relations committee, Baltimore, September 3, 1925:

Mr. L. A. SCHILLINGER,
c/o Gardener Bakeries (Inc.), Baltimore, Md.

DEAR LOU: I have your letter of August 19 covering your work as chairman of the industrial relations committee for American Bakers' Association.

I am happy to understand that there has not been a great deal of work for your committee to do and am thoroughly agreeing with your thought that the only proper way for bakers to settle a dispute is to settle it themselves.

I am going to ask you to report to the board of governors on Monday, September 14, as chairman of the industrial relations committee, and would like you to give the board your recommendations the same as you have in the letter to me.

Yours truly,

LEWIS F. BOLSER, *President.*

Mr. Schillinger was asked by the commission's agent, March 24, 1926, for a copy of his letter to Mr. Bolser of August 19, 1925, referred to in the above letter of Mr. Bolser. He stated that he did not have a copy of the letter and that if the commission's agent did not find a copy in the association's files in Chicago he did not know where one could be obtained. He was asked for an outline of the recommendations concerning the future work of the industrial relations committee, which he had made in his letter to Mr. Bolser. Mr. Schillinger stated that he could not possibly recall what recommendations he

might have made at that time, nor would he undertake to state what his recommendations might be if he were called upon to make any at the expiration of his present term as chairman of the committee.[1]

Mr. Barnard was asked in December, 1925, concerning any recommendations which might have been made by Mr. Schillinger to the board of governors, September, 1925, along the lines suggested by the above letter, but he could recall nothing. The minutes of the meeting of the board on September 14, 1925, were examined, but disclosed nothing.

The minutes show that at a meeting of the board September 16, 1925, Mr. Schillinger was reelected chairman of the committee.

At a meeting of the board, November 12, 1925, the following minutes were entered:

I have nothing to report on the trade and industrial relations committee because we have been called upon to do nothing as yet. However, I want to take this opportunity of thanking you for the appointment of the men on this committee and at the same time to thank the men on the committee for being able and willing to serve.

The board, it will be recalled, is empowered by the constitution of the association to receive complaints of unfair competitive practices between members, and to attempt under certain conditions the settlement of the same. In the past it has employed as its agent a committee (the trade and industrial relations committee) to investigate and attempt the settlement of such complaints. It may, however, employ any other means of investigation and settlement. The letter of the president of the association to the chairman of the committee, September 3, 1925, suggests that a change in the methods of handling complaints was contemplated. The report of the chairman to the board, November 12, 1925, showing that no complaints had been referred to the committee, suggests that a change may have been effected.

Section 2. The Ward-Kappus price agreement in Kenosha.

As showing the effective work of the American Bakers' Association in settling price difficulties in the earlier years of the association's history, the following case involving the sale of bread in a State other than that in which produced is set out by quoting from correspondence. Kappus Bros. (Inc.), is a wholesale and retail bakery at Kenosha, Wis., located a short way across the Illinois line on Lake Michigan. Into this town the Ward Baking Co. was bringing at that time its bakery products from its Chicago plant, of which J. W. Hines was manager.

Kappus Bros. to the American Bakers' Association, attention Doctor Barnard, February 20, 1922:

We are interested at this time in knowing if any headway has been made, or any action taken, in regards to the subtle attempt of the Ward Baking Co. to undermine the price situation in Kenosha, by offering one loaf free with every purchase of five, and urging the retailer to initiate lower prices.

We believe the situation was thoroughly gone over with yourselves, on the occasion of Mr. Ray Kappus's visit on February 3.

To this, H. E. Barnard, secretary and business manager of the American Bakers' Association, replied February 24 ,1922, as follows:

[1] As noted in connection with the Pittsburgh case (p. 118), the files of the chairman of the industrial relations committee relating even to recent cases handled by him are incomplete and the chairman's recollection of these cases gone. For other similar cases see pp. 102, 106, and 127.

Since your Mr. Ray Kappus visited our office I have discussed the Kenosha situation several times with the Ward Baking Co., and I believe it will be easily possible to reach an adjustment in this case which will be entirely satisfactory to you and to the other bakers concerned.

While the American Bakers' Association does not believe that it is its business to adjust controversies between bakers, it does wish to offer its services to that end, and this is especially the case since it has a committee on trade and industrial relations. This matter, however, I am not referring to the committee because I believe we can handle it more closely at short range. I assume from your brother's discussion of the situation that he will be very glad to see the local trouble brought to an end, and with your permission I shall endeavor to arrange a conference for that purpose.

The association's offer of help was accepted by Kappus Bros., in a letter addressed to the association, February 25, 1922:

Replying to yours of the 24th instant, we are indeed pleased to hear of the interest displayed by yourself in this matter, and will say that any arrangement you may make for a conference will be agreeable with us.

Then followed arrangements by the association for a meeting of the interested parties, as shown by the following letters by Mr. Barnard for the American Bakers' Association, under date of March 2, 1922:

Mr. A. J. KAPPUS,
Kappus Bros., Kenosha, Wis.

MY DEAR MR. KAPPUS: Upon receipt of your letter of the 25th instant, I got in touch with the Ward Baking Co., of this city, and have arranged for a conference between Mr. J. W. Hines, of that company, Mr. Schmidt, of the Schmidt Baking Co., of Kenosha, and a representative from your firm, in my office at 1135 Fullerton Avenue, Chicago, at 10 a. m., Saturday, March 4. Please advise me that you will be present at this time.

I am certainly interested and believe that a discussion of the whole Kenosha situation will result in a better understanding between the competing firms and a cessation of the actions which have heretofore been the cause of friction.

SCHMIDT BAKING CO.,
Kenosha, Wis.

GENTLEMEN: Frequent complaints have reached this office concerning the situation with respect to the sale of bread in Kenosha. I have had several conferences with Mr. Ray Kappus and Mr. A. J. Kappus, of your city, concerning it, and as well with the Ward Baking Co. These gentlemen have arranged to meet at my office at 1135 Fullerton Avenue, Chicago, on Saturday, March 4, at 10 a. m.

I hope that you, as a prominent Kenosha baker, will also attend the conference. May we please hear from you to that effect.

Mr. J. W. HINES,
c/o Ward Baking Co.,
Fifty-seventh and La Salle Streets, Chicago, Ill.

DEAR JACK: This is to remind you of the conference set for 10 o'clock, Saturday, March 4, at my office for the purpose of discussing the Kenosha bread situation. Kappus Bros. and a representative from the Schmidt Bakery, of Kenosha, have been asked to attend the conference.

Representing the American Bakers' Association at this meeting of March 4, 1922, were H. E. Barnard, secretary and business manager, and I. K. Russell, editor Baking Technology, the official organ of the association, the two acting in this case for the industrial relations committee. Mr. Russell presented the results of this meeting in the following memoranda written for Mr. Barnard. The last two paragraphs of the second memorandum make clear the direct bearing of the agreement on prices.

AMERICAN ASSOCIATION OF THE BAKING INDUSTRY,
March 8, 1922.

Memo for Doctor Barnard.

I am filing herewith for your information a report on the conference held in the office of the American Institute of Baking on Saturday, March 4, to bring about an adjustment of matter at issue between certain bakers of Kenosha and Messrs. Hines and Greenwald, of the Ward Baking Co.

This conference was arranged by yourself after Mr. Ray Kappus, of Kappus Bros., had asked if you could make any headway in bringing about a mutual understanding with Mr. Hines, and Mr. A. J. Kappus had written you under date of February 25, repeating the suggestion of his brother and partner in the firm of Kappus Bros., of Kenosha.

The conference was arranged for Saturday morning at 10 o'clock as a matter in which the services of the industrial relations committee, or of yourself acting for the committee, would be welcomed on both sides.

The conference was attended by Mr. Hines and Mr. Greenwald for the Ward Co., and by Ray and A. J. Kappus for Kappus Bros., with another baker from Kenosha, Mr. Schmidt, of the Schmidt Baking Co., present as an interested party.

It was agreed that the best way to proceed was to allow each of the parties at interest to state his whole case to a disinterested group, and then to see how near those directly at interest could come to agreeing without rulings or decisions from any outside source. It was agreed to leave for future determination any points on which the parties at interest were found to be irrevocably apart.

Mr. Ray Kappus, as the man who had initiated the meeting, was agreed upon as the man who should state his whole case first.

Mr. Kappus did this and was not interrupted in any unfriendly way until he stated that his case was fully in. Then his associates were allowed to fully amplify their case, and outline a condition of affairs that they thought would be fair to all concerned.

This development of the case consumed an hour or more of time, after which you left the conference and it was carried on to a conclusion with those at interest and myself present.

Mr. Hines made his statement on behalf of the Ward Co., and himself as the man in charge of its policies in the Kenosha situation. He outlined events that had led him to "declare an open war," as he put it, and then he outlined matters he had carried as "war measures," fully admitting that he would not have done those things until provoked out of patience with the situation.

He charged that a member of the Kappus firm had utilized his prerogative of "making the market" in his home territory by making a secret market, through rebates, as well as an open market for the Ward Co. to follow, which was higher. He charged that a member of the Kappus firm had followed his wagons around and had provoked controversies with customers. And [he] had sought the help of the local chamber of commerce in holding trade against a "supposed outsider."

When this case was fully presented all parties agreed that the obligation a local baker assumed to "make the market" when an outside baker entered that field and left the local baker this prerogative, bound the local baker against secret rebates to take unfair advantage of his competitor.

Both sides agreed that "war measures" had been taken which were not defensible except as "war measures." The Kenosha bakers agreed in future to make no more appeals against the outside baker to local business organizations, since they themselves were invading other local fields served by local bakers near their home city. All agreed to sell bread on its merits, without resort to secret rebates or other ways of avoiding a publicly announced price.

In arriving at a method for going along with the new understanding, it was agreed to leave the industrial relations section of the American Bakers' Association in charge to see that all promises were faithfully kept.

If [It] was agreed that if either side felt that the other was not living up to the full meaning of the new understanding arrived at, complaint would at once be made to the secretary of the American Bakers' Association, in lieu of any other action. And that no other action would be taken by either side, in retaliation, until the American Bakers' Association had had a full opportunity to investigate and report, and to adjust the grievance if possible.

It was found that no points remained for determination by any other method that [than (?)] mutual agreement, the conclusions arrived at having been unanimously agreed to by all parties.

The new arrangement, it was agreed, should become effective Monday morning, March 6, and remain in effect until formally canceled through notice to the secretary of the American Bakers' Association.

Very truly,

I. K. RUSSELL.

AMERICAN ASSOCIATION OF THE BAKING INDUSTRY,
March 9, 1922.

Memo for Doctor Barnard.

For file with the papers in the KenoshaIndustrial Relations case, I am setting down here the terms of agreement arrived at.

It was agreed that I should make a memorandum of them and that it should be appealed to, for interpretation by ourselves, if either side complained against the other. The basis of settlement was:

1. In case of any future controversies neither side is to act except by appealing to us for investigation of grievance, until we have investigated for report and recommendation.
2. Kappus Bros. agreed to engage in competition with outside bakers "on the merits of our bread only." They agreed to cease all hostile propaganda against the Ward Co., as "an outside interloper." They agreed to cease following Ward wagons around and personally soliciting Ward customers in this way.
3. Ward's management agreed to remain in the Kenosha situation as seekers after new trade principally trying to bring housewives to the idea of bakers' bread, and developing new business rather than driving at established customers of the local bakers.
4. Both sides agreed to leave it to the conscience and trade wisdom of the other to take out any bread from retail stores which seemed "unsalable." Neither side wished to insist that the other leave bread on sale which had got into such a condition that if sold it would harm the reputation of the baker with the consumer.
5. Ward's agreed to trust Kappus Bros. with the responsibility of making the market in their own town, and Kappus Bros. agreed, in turn, to have nothing to do with secret rebates and to discipline any driver caught making secret rebates.
6. Effective Monday, March 6, Ward's agreed to stop the free gift of loaves as premiums, and to sell straight for cash at the prices set by the local bakers, trusting to the honest and complete adherence to these prices by the local bakers.

I. K. RUSSELL,
For the Industrial Relations Committee.

As showing how the agreement was regarded by Mr. Barnard, the following is from a letter written by him to S. F. McDonald, Memphis Bread Co., Memphis, chairman of the industrial relations committee of the American Bakers' Association, March 7, 1922:

In the name of the industrial relations committee, we pulled off on Saturday something which I did not believe it was possible to do. We got Kappus Bros., of Kenosha, and Jack Hines and Greenwald, of Ward, together in our office and settled a long-standing feud. I am asking Ike Russell to write the whole story up for you. Ike handled it and did it marvelously well. I really believe that if we can get these issues into our office we can handle practically all of them. I am going to try Ike out down in Fort Wayne where the situation is almost ripe, and a little later I am going to see what he can do with Bussey [Busse Baking Co.] at South Bend and Jack Hines.

Also Mr. Barnard to H. C. Morris, Tasty Baking Co., Philadelphia, March 7, 1922:

* * * Our trade and industrial relations committee is producing splendid results. On Saturday we brought together two groups of bakers who have been engaged in a bitter warfare for more than a year. They left friends and with a better understanding of each other than they could ever have reached except through the services of the association. * * *

On March 9, Mr. Russell's story of the Kappus agreement, which Mr. Barnard had requested to be written up for Mr. McDonald, was sent to the latter in the form of a memorandum with the request that

he write up a story for the public. That the agreement was recognized as questionable, if not illegal, is shown by Mr. McDonald's reply (second paragraph), March 11, 1922:

Replying to your letter of the 9th instant inclosing memo from Russell. I am very much pleased to note the success attending Mr. Russell's effort. The situation is brought into fine shape when you can attract the parties in interest to your office. The problem should be easy of solution when parties will show a degree of interest to bring them there. If we could create a situation like this all over the United States and have an active, interested representative in each zone we could localize this situation and take away the feature that has always existed, to wit, we can only be very effective in the immediate vicinity of our headquarters.

You ask me if I can write up a story. I don't feel competent to write up these stories; I am not a writer; I would suggest that you have it written up at your office, and I would suggest that you be very particular to stay away from all evidences of having discussed prices. The Federal Trade Commission are opposed to rebates and bribes and of doing business on a basis that must necessarily mean a loss; in other words, they stand for decent ethics, but it must be naturally worked up and not by agreement.

* * * * * * *

If we can induce bakers, where difficulties exist, to have a meeting and agree to submit their difficulties to our headquarters I am sure we can help them to get their troubles adjusted. * * *

Commenting on the above case as to the responsibility for the settlement, Mr. Russell in a letter to the commission, July 1, 1925, says:

I had just joined on as an editor, and, without any authority or orders or desire on any other person's part, I called up Jack Hines, manager for George Ward, to find out his story of what was up.[3]

The impression left by this letter that the Ward-Kappus price agreement was not effected by the association is not borne out by the association's correspondence as quoted above.

Section 3. The Campbell price war and the association code of ethics.

Early in 1922 the Campbell Baking Co., operating bakeries in the Central States, was taken over by Ward & Ward (Inc.), a subsidiary of the United Bakeries Corporation. Win M. Campbell, president of the Campbell Co., was president of the American Bakers' Association. Soon afterwards prices on bread were reduced by the Campbell Co. and competing bakers were much incensed, claiming that they had not had proper notice of the cut, that the cut was too great, and that the president of the association was not living up to the code of ethics to which he was individually pledged, and for whose enforcement he, as president, was in some degree responsible.

Demand was made for his resignation. The Iowa Association of the Baking Industry, holding convention early in February, 1922, made complaint of the Campbell price cut and by resolution asked for Mr. Campbell's resignation, if investigation by the board of governors of the American Bakers' Association should show that he precipitated the price war. The following correspondence and resolution relate to the position of the Iowa association.

C. C. Lowenberg, Lowenberg's Bakery, Ottumwa, Iowa, to the American Bakers' Association, Chicago, February 9, 1922:

Mr. Lowenberg at this time is at Burlington attending the Iowa convention, From a letter received from him this morning the Iowa bakers, and others, too, are not at all pleased with the action that our Mr. Win Campbell is taking on new

[3] For letter in full see Appendix 3.

bread prices, weights, etc. I know nothing of the details at all, but it seems to me that if we bakers are to remain an organization and grow and prosper we will have to lean a little more toward one another and practice a little more teamwork. What good is representation and cooperation in conventions and the absolute reversal outside.

The resolution from the Iowa Association follows:

RESOLUTION ADOPTED AT THE NINETEENTH ANNUAL CONVENTION OF THE IOWA ASSOCIATION OF THE BAKING INDUSTRY

Whereas the baking industry has striven for 25 years to establish a national association, whereby the benefits of collective deliberation of technical and other phases of baking operations could be discussed to the mutual interest of all bakers; and

Whereas the bakers of the United States in convention last September adopted a new constitution and by-laws and a plan whereby permanent headquarters were purchased and a complete operating organization employed whereby the benefits of association efforts might be greatly extended; and

Whereas the success of the association is dependent on the accretions of new members and the loyalty and cooperation of its present members; and

Whereas the fruition of its plans and purposes are dependent on the confidence inspired by its leaders in the integrity, sincerity, and honesty in serving the baking industry as a whole; and

Whereas the present conditions such as attacks by legislative bodies and city government and newspapers are unwarranted and unfair and prejudicial to the development of the baking industry as a whole and inimical to the prosperity of the individual baker in his community; and

Whereas it is realized these conditions can not be contended against individually nor the bakers' side of the issue fairly presented except by collective action; and

Whereas a condition is now reported to this convention as is existing in Kansas City, Mo., that is disturbing the market conditions of over hundreds of cities in Iowa, and other localities contiguous to Kansas City, and in fact the entire United States; and

Whereas it is reported that this price war now raging in Kansas City was precipitated through an action taken by the president of the American Bakers' Association acting for the company of which he is president: Therefore, be it

Resolved, That if the newspaper reports and information coming from other sources should be confirmed as facts that the president of the American Bakers' Association did precipitate this price war and did use his financial resources to draw unto himself or his company the benefit of public opinion to the harm, discredit, embarrassment, and financial loss of his fellow bakers in other cities, then in such case we believe the Iowa Bakers' Association in convention assembled can best serve the cause of the American Bakers' Association by suggesting the resignation of its present president if on investigation of the board of governors such facts are established, and thereby maintain the confidence in the association by its members. Be it further

Resolved, That these resolutions be spread on the minutes of the Iowa association and a copy of same be forwarded to the American Bakers' Association.

BURLINGTON, IOWA, *February 9, 1922.*

H. E. BARNARD, P. H. D.

DEAR MR. BARNARD: Inclosed please find resolution adopted at our convention.

Very truly yours,

C. F. ALSTADT, *President.*

FEBRUARY 10, 1922.

Mr. C. F. ALSTADT,
President, Iowa Association of the Baking Industry,
306 East Fourth Street, Waterloo, Iowa.

MY DEAR MR. ALSTADT: I am in receipt of your letter of the 9th inclosing a copy of the resolutions adopted at the nineteenth annual convention of the Iowa association. A meeting of the board of governors of the American Bakers' Association will be held on the 18th and at that time the resolution will be pre-

sented for consideration. Won't you, before that date, furnish me with full data as to the price-war situation in the State of Iowa? For our information on this as well as other subjects we must depend upon the reports we receive from State associations and our members all over the country.

I trust that the Iowa association was wholly successful.

Very truly yours,

_____ _____,
Secretary and Business Manager.

MEMPHIS, TENN., *February 11, 1922.*

Dr. H. E. BARNARD, *Chicago, Ill.*

MY DEAR DOCTOR: I am inclosing herewith copy of telegram I am sending to Alstadt.

I am in receipt of a letter from him inclosing copy of resolution which I think should be kept back for some time.

Very truly yours,

McD.

February 11, 1922.

C. F. ALSTADT, *Waterloo, Iowa:*

Please don't give out resolution until I can have a chance at the matter; it will put all the fat in the fire; these men are all my friends; molasses will catch more flies than vinegar.

S. F. MCDONALD.

H. E. Barnard, secretary and business manager, American Bakers' Association, to Win M. Campbell, president American Bakers' Association, Kansas City, Mo., February 9, 1922:

I am inclosing a copy of a letter received this morning from the Zimmerman Bakery, together with a copy of my reply. Have I handled this matter properly?

It seems to me that the only way to reach a complete understanding of this situation is to talk it through, and I am sure that the Zimmerman Bakery and your new company can do this with success.

Very truly yours,

_____ _____,
Secretary and Business Manager.

Inclosed a copy of our letter from Thomas F. Smith, Zimmerman's Bakery, Hannibal, Mo., date of February 7, 1922, also a copy of our reply dated February 9, 1922.

The correspondence referred to in the foregoing letter follows:

HANNIBAL MO., *February 7, 1922.*

Dr. H. E. BARNARD,
Manager American Bakers' Association, Chicago, Ill.

DEAR MR. BARNARD: It is with no little regret that we write this letter to you this morning, for our confidence has been shaken in our industry, and no keener hurt can come than to have those whom we trust * * * betray us.

We note that the baking system with which our president is connected has entered the price-cutting affray of the country and his competitors have gone one better and put out a 14-ounce baked loaf to retail at 5 cents * * *, and wrapped at that. These loaves have actually come into our shipping territory; we have seen and weighed the bread. It is no longer heresay with us.

We had always said "They will not do it"; but our judgment must be wrong, and we are writing this letter to ask for guidance. We are such a small plant compared to some others that we may be groveling in the dark, for we candidly will say that we can not meet such prices without dire disaster, but we will have to do it if pushed by them into it. Where can their gain come * * *?

Already we know of many small bakers who have met the price; and surely only a desire to gobble up all the business could have prompted this entry of such competition.

We have noted that the association preaches cooperation, clean competition, and the open forum among us all. If our worthy president and his colleagues really mean what they have announced through the association, would not an explanation as to just how and why this pricing is done greatly benefit the association as a whole?

Our viewpoint may be very selfish and our judgment all wrong, and we are willing and will be only too glad to have some enlightenment cast our way on the whole proposition. We thank you for an early investigation and reply.

Yours very truly,

ZIMMERMAN'S BAKERY,
THOMAS F. SMITH.

Copy of this letter sent to President Campbell this date.

February 9, 1922.

Mr. THOS. F. SMITH,
Care of Zimmerman's Bakery, Hannibal, Mo.

MY DEAR MR. SMITH: I am glad that you have written me as fully and as frankly as you have concerning the bread-price situation in the Central States. We are still waiting for information on this matter. We know little of the plans of the new organization, but we must assume that such a large concern as has now entered the central western field will not adopt a destructive policy. It can not build up its business in that way. It can not afford to sell bread below the cost of production.

May I suggest to you that the way to meet this situation is to face it. Have you talked this matter over with your competitors? The association stands for square dealing, and the bakers who are our members, officials, and advisors subscribe most heartily to the code of ethics.

May I hope that you will lose no time in reaching a clear understanding of the situation with respect to price cutting.

Very truly yours,

_____ _____,
Secretary and Business Manager.

Copy of this letter mailed President Campbell this date.

Thomas F. Smith to H. E. Barnard, February 10, 1922:

We have your letter dated February 9 in answer to ours of the 6th, and we must confess that we do not understand it to give us any advice whatever.

Do you and the association believe that the prices and weights now put forth by the Kansas City bread bakers are in line with the present costs of ingredients and labor?

Your letter states that the way to meet this situation is to face it; this may be construed to mean that we should come down to the prices the above-mentioned firms have named.

We are glad to know that the association stands for square dealing, and we do hope and expect to hear that the proper committee that has been so successful in straightening out these "price wars" before will have taken some steps in bringing this one through, too.

If we are so out of line that the above-named firms can sucessfully put out such weights and prices, then we need some adjusting in our bakery, for we can not meet these prices now without putting a reddish complexion on our accounts.

We thank you for further information as to what the association is doing about this matter.

Yours very truly,

ZIMMERMAN'S BAKERY,
THOS. F. SMITH.

Mr. Barnard replied to Mr. Smith, February 16, 1922, as follows:

The board of governors of the American Bakers' Association meets in Chicago on Saturday and will receive and consider the report which will be made to it by Sam McDonald, the chairman of the committee on trade and industrial relations, concerning the situation to which you refer. Mr. McDonald is in Kansas City, and I hope that he will bring to the governors' meeting sufficient data so that action may be taken which will be fair to every baker and fair to the entire industry.

May I assure you that after the meeting on Saturday I shall endeavor to give you full information as to the situation and as to the position the association will take in this and similar cases.

Yours very truly,

_____ _____,
Secretary and Business Manager.

As shown in Mr. McDonald's letter below to Mr. Barnard, March 10, 1922, Mr. McDonald did not go to Kansas City, but endeavored to adjust the matter by long-distance telephone. On February 18, 1922, at a meeting of the board of governors at Chicago, the following resignation of the presidency of the association was tendered by Mr. Campbell and accepted by the board:

To the board of governors of the American Bakers' Association:

Added duties and responsibilities which were not foreseen at the time I was elected president make it impossible for me to give the time and attention necessary to this important office. Also a contributing reason is the fact that some unfortunate publicity has developed incident to recent price adjustments made by our company which we consider normal and just at this time and which might become embarrassing to the association.

I, therefore, herewith tender my resignation as president of the American Bakers' Association, to take effect at once.

I shall continue to support the association and work for its advancement along the lines of the big comprehensive plan which has been undertaken and which I am sure will be successful. Of course our company will continue its membership and financial support.

WIN M. CAMPBELL, *President.*

CHICAGO, *February 18, 1922.*

The following is quoted from the minutes of the above board meeting:

The courtesy of attendance was extended to Messrs. Roy L. Nafziger, of Kansas City; W. P. Walsh, of Evansville, Ind.; George E. Rushton, of Kansas City, Kans.; Paul Stern, Milwaukee, also T. F. Naughton, of Omaha, and W. D. Bleier, Chicago.

The secretary of the association, Doctor Barnard, acted as secretary of the meeting.

At the opening of the meeting Mr. Win M. Campbell made a statement to the board and the additional bakers present, following which he presented his resignation as president to the secretary of the association and then withdrew, requesting the first vice president, Mr. A. L. Taggart, to take the chair.

Mr. Bryce B. Smith moved and Mr. Lee Marshall seconded the motion that the resignation of Mr. Campbell as president be accepted.

Mr. Long moved a substitute motion that this resignation be laid on the table pending an investigation and report by the committee on industrial relations with respect to the Kansas City situation. This substitute motion as an amendment to the pending motion was lost, 8 to 7, and the original motion to accept the resignation of Mr. Campbell was then carried by a vote of 7 to 0.

The Ward Baking Co. did not vote upon either motion.

The representatives of the trade press were extended the courtesy of attending the meeting.

The following resolution, with preambles, was presented and moved by Mr. Long, duly seconded and unanimously adopted:

Whereas, This association, by vote of its executive committee, has adopted a form of membership application blank embodying all conditions for membership set forth in the by-laws; and

Whereas one of these conditions of membership is full compliance with the code of ethics affecting trade practices; now, therefore, be it

Resolved, That whenever any complaint from a member shall be lodged with the business manager of the association charging a violation of the code of ethics in respect of unfair trade practice the business manager shall at once refer such complaint to the industrial relations committee.

Further resolved, That upon receipt of such complaint the industrial relations committee shall forthwith institute an investigation of all conditions bearing on such situation, and after hearing all the evidence shall make a report to the board of governors at its next meeting following such investigation, setting forth its findings and conclusions upon the facts.

Further resolved, That upon receipt of such report the board of governors shall then determine whether the membership of the concern involved shall be suspended or canceled.

A stenographic report of the discussion on the Long resolution follows:

Mr. LONG. May I have the floor for a moment? I must go. I don't know what action has been contemplated by the gentlemen with respect to the Kansas City situation, but I am constrained to believe that if the association is going to show the bakers of the United States what it is, that it can not merely accept the resignation of the president and let the issues go undisturbed. I want to call the members' attention to the code of ethics and the form of application which I have here. On this application there is printed the conditions for membership. Under the conditions of membership is the code of ethics, and certain clauses in this code of ethics read as follows. (Reading the code of ethics.)

Now, gentlemen, every baker in the United States who qualifies for membership with the national association must subscribe to the code of ethics and other conditions of membership on that application. If, now that is accepted, then its acceptance implies to every member of this association to see that the conditions of membership are fully complied with. Circumstances [situations?] should be inquired into, and this association itself has a proper right to inquire into every situation that tends to indicate or upon which charges have been made that the conditions of membership have been violated.

In order, then, that we can function, we have established a committee on industrial relations, and the committee on industrial relations is the proper committee to hear all the issues in every controversy and which has to do with the question of "Has the code of ethics and the membership pledge been violated." That is all that the association has an interest in—has any member violated his pledge to the association, or pledge which he signed? If he has, then it is a proper function for which we have provided in the by-laws, the means by which his membership can be revoked for having violated its condition.

Now, I believe we shall proceed in all such matters upon the basis of direct complaints from the various committees. I am not suggesting that any complaint in any case be lodged, but if the circumstances seem to warrant the opinions of the bakers of any community, that an investigation be made. Now, in order that they may be made clear, I propose a resolution that whenever complaints from a member shall be lodged with the business manager of the association, charging a violation of the code of ethics, the business manager shall at once refer such complaint to the industrial relations committee for investigation of all the conditions.

Now, then, Mr Chairman, that puts the matter up in relation to the Kansas City situation in just this way: Either that member who is charged with having violated this ethical code, or any other member in that community, shall first lodge a complaint with the business manager of this association, and upon some complaint investigation by the industrial relations committee should be made and the industrial relations committee report its belief to the board of governors. I just want to say, further, that if the national association is going to amount to anything and make a real appeal to the bakers of the country it must show consistency in its promises to the bakers. We have promised a big program and big benefits to the bakers of the country, and not a single convention which I have ever attended has there been anything but applause, for the bakers have now come to the belief that it is a proper center of inquiry on their part as to the merits of a local controversy which shows (?) the whole business and which affects bakers hundreds of miles from home. Either the association must take some action as this or we have nothing to sell.

CHAIRMAN: Is there a second?

Mr. PAISCH [Charles A. Paisch, of Charles A. Paisch & Co., Chicago]. I second it.

Mr. POWER. I merely wish to inquire whether or not if this resolution passes the industrial relations committee has the right to inquire into such matters on its own initiative, whether its authority granted this right?

Mr. LONG. In answer to that let me say that we have a right to presume that when a man signs this application he subscribes to every condition and that he is honest. We have a right to assume that part. We have also a right to presume that if he is honest he will be willing voluntarily to submit all the evidence.

Mr. RABENOLD. The industrial relations committee has a right, but is not compelled to unless the complaint is filed.

Mr. POWER. Is that plainly stated?

Mr. RABENOLD. The industrial relations committee, of itself, on motion in the discharge of the functions of its creation, can investigate and report here.

It is not compelled to do it unless the constitutional provisions are revoked [invoked] by the filing of a complaint; then there must be action.

Mr. POWER. Read it from the constitution.

Mr. RABENOLD. That does not say that the committee has the right to make inquiry on its own motion.

Mr. POWER. I am wondering what you are trying to get at. Whether your resolution should not be amended enough to direct or at least to empower the industrial relations committee to make inquiries on their own initiative without waiting for a complaint to be filed.

Mr. RABENOLD. That could not be done. This association would have to wait until some one filed a complaint. I merely wanted to make the industrial relations committee more of an effective committee, and it might be that it could act in cases on its own initiative and further emphasize the code of ethics.

CHAIRMAN. Are you adding anything by your resolution to what is already existing in the constitution to the code of ethics?

Mr. LONG. No, except that it clarifies it. It means the complaint will be sent to the manager in a letter so that the board of governors can take action at its next meeting.

Mr. POWER. Let us empower the committee on its own initiative without waiting for a complaint. I don't want to take a lot of the time on a small matter. But unless the industrial relations committee is instructed to go ahead on its own initiative that won't be much benefit.

CHAIRMAN. I would like to hear from Mr. McDonald as to what he understands the scope of this committee and the power of his committee is.

Mr. MCDONALD. My understanding of the thing is that the chairman of the industrial relations committee is from his own headquarters to take up complaints that come in, but is not to go out hunting for trouble. Now, what this association may do when it gets far enough along and gets in sufficient funds to put in this headquarters a department of industrial relations, with a secretary who is able to go about the country and take time to assist in straightening out affairs where the boat is apt to rock, I don't know, but at the present time I am trying to handle this along with my own work, and my interpretation is that we can only take up such matters as they come to us from Doctor Barnard.

CHAIRMAN. Will this help you?

Mr. MCDONALD. It won't help me, for I won't have time to give to it.

Mr. RABENOLD. The resolution now before the board requires that there be a complaint filed.

Mr. POWER. It does that, and right there is where the hitch comes. Suppose this broke out in Kansas City, and Smyth and Nafziger and Campbell all got into a price agreement. Rushton [Frank Rushton, of George Rushton & Co., Kansas City, Kansas], not being in their confidence, does not know against whom the complaint should be filed; but he does know the conditions, and he knows that he is getting hurt; and he does know that some of these fellows started this thing. He is in a position to send the news to the industrial relations committee for action.

Mr. LONG. He simply sends in here a complaint, stating that it is his belief that in the condition in Kansas City the code of ethics or the qualifications for membership was being violated, and calling upon the association to investigate as to whether or not that is a fact, and if so, by whom it is being violated, and what is the cause of the situation. I understand Mr. Campbell feels that he has been unjustly accused. There are arguments both ways. Some say that he did and some say that he didn't. In order that this association may know the facts, this makes it possible for Mr. Campbell himself to ask for the investigation, and having asked for it, he is bound to get it.

Mr. POWER. I want to question the language in that resolution. I would like to have a portion of the resolution read again.

(Read by Mr. Rabenold.)

Mr. LONG. The industrial relations committee as it is now functioning under the constitution and by-laws has the right, or asks the right, to investigate the conditions in the community, whether those conditions are the result of a violation of membership or whether they are just local quarrels from nonmembers.

Mr. Barnard described the situation leading up to the resignation in a letter to Gordon Smith, Smith's Bakery, Mobile, February 23, 1922, as follows:

I have just wired you as follows in answer to your wire which did not reach me until to-day:

"Campbell's resignation accepted at earnest request. Situation unfortunate. Taggart fully appreciates it and is hard at work. Am writing."

I wish you had been here last Saturday. We had a very strenuous meeting. As you may have heard, the action of Win in selling the majority of his stock in the company to Ward & Ward threw a bomb shell into Campbell's competitors. They did not know what it meant and they were greatly worried. When the price reduction was announced the Central State bakers, especially those of Kansas, Iowa, Missouri, and Nebraska, lost their heads completely and announced that a "bread war" was on.

It is difficult to get at the real facts. Frankly and confidentially, I can take no objection to Win's action. His competitors claim that he did not give them fair warning and that he should have counseled with them. He says that he did use them fairly and his advertising certainly proves it. I am not sure but what a good deal of the outcry was handled in very much the same way the cheer leader handles the shouting at a football game. I think this was especially true of the Iowa convention, where the association, in a long resolution, called for an investigation and Win's resignation.

Win and Al Taggart and I went over the whole matter in great detail a week ago and Win then said he was going to resign, not because he was under fire but because he did not want to stand in the way of the association as some of the prominent members said he was doing. At the meeting on Saturday, after a long conference with us, Win came in and made his statement in executive session and read his resignation. Naturally, his friends rallied around him, and they would never have accepted his resignation if he had not insisted upon it, and if Lee Marshall, who represented him throughout the meeting, had not seconded the motion and insisted upon the acceptance of his resignation. The situation was finally cleared up in the acceptance of his resignation, and Al Taggart goes on as acting president. I am going down to have a talk with Al tomorrow. I inclose a copy of a letter received from him yesterday which shows where he stands. I think he is exactly right; we should throw all of our effort behind the school and the institute.

When are you coming to Chicago? I want to see you. I shall, of course, see you in April, but I want to see you before then.

Very truly yours,

_____ _____,

Secretary and Business Manager.

Excerpts from the following two letters show how the chairman of the industrial relations committee, S. F. McDonald, Memphis Bread Co., Memphis, regarded the matter, and what he had attempted to do to adjust the situation. Mr. McDonald to Mr. Barnard, March 10, 1922:

Replying to your letter of the 7th instant. I am delighted to know the fine results that you are securing in adjusting bad situations; this is a splendid work for the association, and there is certainly lots of it to do, and the quicker you are successful in ironing these things out and getting publicity to it the quicker we are going to change the attitude of mind of the bakers of the country with relation to the association.

Am glad to know that you have had recent talks with Win Campbell and Jay Burns. Personally, I do not want to express any opinion in the matter. I am not rabid; Win and I have always been good friends, but it is my personal opinion that Win has been badly advised, and that he is considerably dependent upon others for advice and counsel, and I think they have made a mistake. Somewhere between the price he is making and the price that the other bakers in Kansas City think they ought to ask, which were the old war prices, I think there is a common ground which, with some little cool-headedness, could be reached. It would have done no good for me to have gone to Kansas City and wasted my time and sacrificed my own personal affairs. I got in touch with Win Campbell over the telephone and talked to Smith over the telephone and Lee Marshall and Roy Nafziger, bill for which I will send you before long, and had long talks with them at quite considerable expense. Campbell and Marshall were absolutely immovable and gave me to understand that it would do no good for me to go to Kansas City, as their policy was arbitrarily fixed, and I am rather of the opinion that the policy was established elsewhere, and it would do no good to attempt to go to Kansas City and do anything with it; if I had met with any encouragement at all I would have made whatever sacrifice was necessary to go up to Kansas City and try and get them together.

The story is a very plain one. There is no necessity of leaving the desk to ascertain the situation; it is a plain open-and-shut one. Mr. Campbell gave notice of a set of prices that he was going to put into effect which were a tremendous cut on prices in effect, and other bakers in retaliation met these prices and put out a 5-cent loaf to match up with the twin loaf of Campbell's. I am not approving the act of the other bakers—I think they made a mistake; however, I think they promised him they would do it, and they thought they would have to make good their promises; i. e., if he did what he said he was going to do they would put out a 5-cent loaf. It is quite an embarrassing situation for you to handle, and I would certainly pass the buck. I am in the attitude of having a willingness to do whatever I can do if I am called upon by the parties in the mix-up; but, as it is, I am bound to wait until that time. If an adjustment is made, Campbell is going to want to make a reasonable raise, but I think the other bakers of Kansas City are going to object to any other prices than were in effect before the cut, and it is going to be a hard situation to handle; they are all hard-headed and very antagonistic toward each other, anyhow.

Mr. McDonald to William Deininger, General Baking Co., February 20, 1922:

The association is somewhat embarrassed at this time, due to the action of the Campbell Co., which, I understand, is the idea of Will Ward; I am in no way attempting to pass judgment on anyone's act. My connection with these things as chairman of the industrial relations committee, and the fact that the association is not as yet fully organized at Chicago with proper machinery, has put these things directly up to me.

* * * * * * *

The meeting at Chicago was fairly well attended, there being a quorum of the board of governors present. Mr. Campbell tendered his resignation and explained that their figures and their method of making bread justified their acts, and felt that all of the bakers all over the country ought to do the same thing. He then retired from the room, and his resignation was discussed, and, if I remember, it was accepted by a vote of 9 to 6.

My thought on the matter was that it was exceedingly unfortunate at this time to precipitate this thing, that the association had not had a chance yet to catch its breath, and that the resignation of a president in the midst of a term was an exception in our history, and that probably it might be better to lay the resignation on the table and in the hands of the secretary and proceed with the association effort, with the vice chairman in charge, and let this matter rest a while and take it up at some future time. As chairman of the industrial relations committee I felt this was the proper thing to do. I had made the big effort to attempt a different situation in the West, but was unable to make any progress, but felt that I had not come to the end of my hopes, but the majority seemed to feel that from the reaction of resignations that it was best to accept the resignation. I have no fault to find with whatever the majority decide to do. I am, however, in rather a pessimistic attitude, and it seems to me that it would be a good idea to call a conference of representative bakers over the country after a lapse of sufficient time to have gathered together about all the information it is possible to get, for the old boat is being rocked pretty badly by one thing and another, and the bakers are about as bewildered a bunch as they have been in a number of years, and I hate to feel that we have given up a great many years of effort to building up an association, and although some things may not be as they ought to be at this time, I feel that we have just arrived on the eve of a real association situation.

Differences of opinion developed as to what steps the association should take to enforce the observance of its code of ethics. Some there were who believed the situation required more than the president's resignation of office. The following is a letter written by Jay Burns, Burns Baking Co., Omaha, member of the board of governors:

OMAHA, NEBR., *March 2, 1922.*

Dr. H. E. BARNARD,
Manager, American Bakers' Association,
1135 Fullerton Avenue, Chicago, Ill.

MY DEAR DOCTOR BARNARD: You will doubtless be surprised to get a letter from me written from Omaha. I am home for a few days—got back last Sunday and came on very short notice, my return being occasioned by the bread-price conditions in this territory.

I had a few minutes with Mr. Long while in Chicago, so learned from [him] what transpired at the meeting February 18.

I can't tell you how I regret this break, but I believe the situation calls for some pretty prompt and positive action on the part of the board of governors if they are to save the association.

It seems to me that because of the fact that the men involved in this controversy are all so prominent and active in the association, that it is the duty of the board of governors to make prompt and thorough investigation and impose the penalty of withdrawal of membership privileges from whoever is guilty of unethical conduct in the matter.

I can only interpret Mr. Campbell's tendering his resignation and refusing to attend the meeting of the board as practically acknowledging the truth of what the other bakers charge him with.

I am very much inclined to think that if the board refuses to investigate and take action in this case the association is practically on the rocks.

We set out last fall on an aggressive program; we adopted a new plan; we delegated to the board of governors power and authority to fix standards for qualifications for membership and a code of ethics for conduct of the business. We provided that when adopted these codes must be subscribed to in applying for membership, and that membership could be forfeited for failure to live up to them.

Pursuant to the authority delegated to it, the board of governors did adopt such standards and codes and by their very adoption took upon themselves individually the solemn obligation to live up to them.

Somebody has broken faith, and it apparently lies between the men who are members of the board, one of whom was our president.

On the other hand, I believe that if this matter is thoroughly investigated promptly and action taken in accordance with the findings of the investigation and that done promptly, also, it will be a wholesome example which will win for us the enthusiastic support of a large number of bakers, and I believe it would be the renewing of a tremendous interest in the association.

I think I can say to you frankly that you can't count on the return of Petersen, Nafziger, or Welle to the fold unless something of this kind is done, and trying to preach membership in the American association to the bakers of Iowa, Missouri, Kansas, and Nebraska at this time would be almost a laughable undertaking.

I rather expect to return to Florida the latter part of the week, because I left so hurriedly that I left a number of things undone that will have to be finished up.

On my return I shall possibly go back through Chicago for a day or two, in which event I will run out to see you.

Sincerely yours,

JAY BURNS.

In a letter to Mr. Taggart, March 3, 1922, calling his attention to Mr. Burns's suggestion that it is the duty of the board of governors to make a prompt and thorough investigation of the Kansas City situation, and quoting the Long resolution adopted by the board, February 18, 1922, Mr. Barnard says:

Please note that upon the receipt of a complaint it is provided by this resolution that it immediately be referred to the industrial relations committee. I shall, therefore, as instructed by the action of the governors, advise Mr. McDonald of the complaint made by Jay Burns and request him to make an investigation, to be followed by a report to the board.

The work of the industrial relations committee was successful in bringing Kansas City bakers to agree on an increase in price, influence being brought to bear on the new management of the Campbell Baking Co. In a memorandum for Mr. Barnard March 13, 1922, Mr. McDonald says:

With relation to Kansas City, that matter is having attention by way of the East.

Regarding the settlement made by the association's committee, Mr. Barnard, Chicago, writes to Mr. Taggart, New York City, April 4, 1922, who at that place and on that date or just following was in conference with certain eastern bakers regarding the future policies of the association:

I inclose a letter from another baker who finds fault with the association work, chiefly on account of the Kansas City situation. By the way, if you have not already heard it, you will be glad to know that the Kansas City troubles have been straightened out and that bread went back on a 7 and 10 cent basis Monday morning. I think we can give our committee on trade and industrial relations the credit for this settlement. For the present, however, the subject had better not be discussed.

Throughout the correspondence of the officials of the American Bakers' Association there are frequent statements to the effect that the association can not participate in the settlement of price wars. Side by side there is correspondence indicating that such participation continued. The following paragraph of a letter written to a member of the association by the official just quoted with less than a month intervening illustrates the point:

The work is going on at top speed. The Kansas City situation seems to be improving. I hope shortly to learn that the trouble there has been adjusted. Unfortunately, the publicity given the whole matter has created wrong impressions in the minds of many bakers. They do not realize that the association can not step in to settle price controversies without violating the Federal statutes.

Immediately following the Chicago meeting of the board of governors in February there developed a sentiment for relaxing the binding character of the code of ethics on the membership. Mr. Barnard to Gordon Smith, Smith's Bakery, Mobile, Ala., February 27, 1922:

His [A. L. Taggart] personal feeling is that it is not advisable to press the sanitary code or the code of ethics at the present time.

Mr. Barnard to William Deininger, president General Baking Co., New York City, March 15, 1922:

Mr. Taggart is actively on the job. He believes that for the time being it should be the chief duty of the association to develop the institute work and start its school rather than to spend most of its effort in enforcing the code of ethics, which can never be interpreted alike because of conditions arising which must always vary with the baker and the community concerned.

At a meeting at New York City early in April, attended by representatives of baking companies having their principal offices in the East, and by President Taggart and other association officials, it was suggested that the sanitary code and the code of ethics be eliminated from the application blank.

Looking in this direction, Mr. Taggart, as acting president of the association, in sending out letters to those who were resigning their membership in the association asking them to reconsider the matter, among other things said:

Fifth. If you don't like the code of ethics and the sanitary code remember these matters are going to be inactive at least until next September, and some of us who agree with your viewpoint want you there for advice and support so as to correct any objectionable features.

In line with the foregoing and as developed above (p. 64) the board of governors of the association recommended that the by-laws be amended in relation to the application of the code of ethics, and this recommendation was followed by the convention in September, 1922.

Section 4. Western Pennsylvania.

Prior to the convention of the American Bakers' Association, September, 1922, western Pennsylvania was having severe competitive disturbances between large and small bakers, for which the Western Pennsylvania Bakers' Association wished more speedy assistance from the American Bakers' Association. The following correspondence develops the situation:

I. K. Russell, American Bakers' Association, Chicago, to S. S. Watters, Liberty Baking Co., Pittsburgh, member board of governors, American Bakers' Association, July 14, 1922:

I am dropping you this note in haste just on getting back to tell you I believe there is no need for you and Mr. Crider [Homestead Baking Co., Homestead, Pa.] to get discouraged over the western Pennsylvania situation. Both Ralph Ward and Hooper [manager Ward Baking Co. plant, Pittsburgh, Pa.] assured me that they were "in the red" on the low-priced business and that both would welcome coming back to a decent price.

Their only concern seemed to be as to whether the others would move up or would stay up if they did move up. While you feel the justice of your own position very keenly, I have sat through a number of squabbles in which those Ward had tried to work with quoted one price in the open and another secretly to undercut. Kapas in Kanosh [Kappus Bros. (Inc.), Kenosha, Wis. (see p. 72)] had to admit he had been doing that until Ward cut so far under it was a lesson that brought him out with fresh promises to stay put on a publicly announced price. R. D. Ward seemed to be concerned only that all the bakers come to the conclusion they will go up in all the territory where under-cost goods are being sold so that at one time all the affairs of the district will clear up. It strikes me that is not too much to hope in accomplishment. Anyhow I am giving you this map of his mind on the matter. I am pretting[?] affairs both with Weber and Hooper. Weber answered our wire asking him to attend the conference saying he was away from Pittsburgh till August 1, so there will be another chance then for a real get-together conference.

Mr. Watters to H. E. Barnard, secretary-business manager, American Bakers' Association, Chicago, September 7, 1922:

Please be advised that Pittsburgh and western Pennsylvania will be well represented in the convention, we having three full Pullman cars so far booked up, leaving Pittsburgh Sunday night. Our local association will have a meeting next Saturday night at which time we expect to discuss the national association question and I hope to be in position to express the sentiment of western Pennsylvania. I am herewith inclosing notice which was sent out regarding this meeting.

I regret to state that there has been no further developments relative to the competitive situation hereabouts, and that the feeling is quite strong against the national association. I had hoped that this matter would be adjusted prior to next week's convention in order that the stage would be cleared for unbiased consideration. It was generally known that an attempt was being made to clear up the price question, and your failure to appear, and also the promise of the other people to take up the question in conference not being met, seriously affected the situation.

I am hoping that matters will so shape themselves at Chicago that the large question of doubt affecting personal interest will be removed. Looking forward to our coming meeting with greatest hopes,

I remain, yours very truly,

S. S. WATTERS.

P. S.—If you have any message you would like me to bring before the meeting Saturday evening, send me a night letter upon receipt of this.

Mr. Barnard replied to Mr. Watters as follows:

Am glad western Pennsylvania association meets preceding national to discuss national reorganization plan. Potomac States are coming with plan to federate State and local associations with national. New England coming strong with similar plan. We are doing all in our power to forward the case of trade practices in western Pennsylvania brought to our attention by Watters and Crider. It is full of real difficulties, which we hope to take up with you and all parties during national convention week. It could not have been brought to a conclusion earlier.

Following the September convention of the American Bakers' Association with its action on the code of ethics, Mr. Watters wrote Mr. Barnard, September 23, 1922, as follows:

I regret if I have caused you any embarrassment due to my persistence in pushing the code of ethics' question, and hope now that the local community cooperation is optional, that we may succeed in building up strong local bodies. Most all sane independent operators realize that existence depends upon cooperating with the big interests and are more than willing to work with them whenever possible.

Mr. Barnard replied to Mr. Watters, September 25, 1922:

I want to assure you that I have appreciated just as fully as any of the Pittsburgh bakers the necessity for working out a solution of the competitive situation in western Pennsylvania. May I also say that whenever the association can be of service to its members it is our business to do what we can to help them, and the question of embarrassment due to personal desire does not enter into this matter. If out of the conference has come mutual understanding and a better feeling all around, we are all delighted.

May I take this opportunity to thank you for your cooperation in this and in other matters. It is a pleasure to work with you.

Commenting on the association's endeavor to smooth out competitive differences among western Pennsylvania bakers, I. K. Russell, American Bakers' Association, wrote Walter C. Spitz, Danville, Ill., October 31, 1922:

I was eight months trying to get Ward into a meeting in the Pittsburgh zone and I failed, I thought, when those with the grievance there wired they were coming to the convention 100 members strong, ready to raise hell.

Whether that had anything to do with it or not I don't know, but I do know that the meetings they had wanted took place. And I have just written Sam Watters to ask if they all ironed out O. K.

If they had laid down on the association and quit they never would have got to first base. I am dead sure that the cure for all evils of cooperation is more cooperation.

Section 5. Northwest Pacific coast.

Price troubles in the extreme Northwest in the settlement or attempted settlement of which the American Bakers' Association participated are found as early as 1921.

J. W. McClinton, then secretary of the association, in reply to a wire from William P. Matthaei, Matthaei Bread Co., Tacoma, Wash., member of the board of governors, wrote November 17, 1921:

We received your telegram yesterday and your proposition was placed before the board of governors. It was referred to Sam McDonald, as chairman of the industrial relations committee, and he assured me it will have his immediate attention.

Mr. Matthaei outlined the difficulty to Mr. McDonald, November 22, 1921:

In response to your wire of the 16th, I went over to Seattle to see the bakers and was again there yesterday. The bread war in Seattle is a case of personalities. There is a very bitter feeling between the National Baking Co. and the Seattle Baking Co. Messrs. Skinner and Hutchinson are the owners of the

National, and the bakers of Seattle as a whole are very bitter toward Mr. Hutchinson personally, and are all favorable to Mr. Rasmussen, of the Seattle Baking Co. Seattle generally had been selling bread for 8½ cents per pound loaf and 12½ cents for the pound and one-half. This price was in effect until about two weeks ago when they lowered their price to 8 and 12 cents, at which we in Tacoma and Portland dropped from 8 and 12 cents to 7½ and 10½ cents. At that time Hutchinson, of the National, phoned me and criticised our new prices, saying that "that new price is not in the cards at all." However, about four or five days later they announced their cut to 6 and 9 cents through the newspapers. The National people advised the other bakers of their cut by mail, but all received notice of the cut through the National ads in the papers before they received their letters.

Yesterday, after a long talk again with Mr. Skinner and later with Mr. Rasmussen, each said they would not object to talking to the other, but under no consideration would Rasmussen meet Mr. Hutchinson. Yesterday during our discussion each accused the other of all sorts of unfair practices and even threatened lower prices yet. I anticipate that before the week is over that either my father or I can arrange a meeting in Seattle so that we can bring the two principals together. I will advise you of any new developments.

With kindest personal regards, I am.

Mr. McDonald wrote to the two Seattle companies involved, December 2, 1921, as follows:

NATIONAL BAKING CO., *Seattle, Wash.*
SEATTLE BAKING CO., *Seattle, Wash.*

GENTLEMEN: The matter of your unfortunate situation has been kept before me by our headquarters at Chicago, and I have not at this time been in receipt of such direct information from you as I would have been delighted to have had.

Unfortunately for me, and for the bakers, I have been appointed chairman of a committee on industrial relations; unfortunate, for I feel a great lack of ability to be the assistance to the association that I would be delighted to be. Men's opinions of each other become tremendously distorted, clear out of proportion, when there is not frequent contact personally between them.

I shall be delighted to know that you gentlemen will soon get together with a desire on the part of each to build up an entirely different consideration of yourselves, and of the effect of trade wars on yourselves, the local situation, and the industry. It was intended that there should be room enough in the world for everybody, and I imagine it was also intended that this same everybody was to assist in making this place.

With an assurance of best wishes, and hoping to have your hearty cooperation in the matter of endeavoring to establish better industrial relations in your part of the country, as really I am in hopes of being able to suggest organization all over the United States that will be made up of local bakers through whom we can function, I am greatly in hopes that you two good gentlemen will join with me in being able to make this possible in your part of the world.

As stated above, I regret that I have not heard directly from either of you. Of course, it may not be considered on your part at this time, or up to this time, that I have any right to expect to, but I trust that you will consider the matter in a different way, and that you will give me the pleasure of hearing from you.

With very best regards, I am.

Mr. Barnard to Mr. Matthaei, February, 20, 1922:

I trust that the bread price situation will clear up right away. The rising flour market is having a tendency to operate in that direction. Won't you send to Sam McDonald, as chairman of the committee of industrial relations, a pretty complete statement of the Seattle bread war situation. He will be glad to know that the trouble there is ended and, I hope, with satisfaction to all bakers.

Mr. Matthaei to Mr. McDonald, March 3, 1922:

I presume that you attended the meeting in Chicago, February 18, and were probably informed at that time that I had advised the office of the clarification of the Seattle situation. Several days previous to the meeting I had also wired Bryce Smith, Roy Nafziger, and Win Campbell, telling them that Seattle had seen the folly of its action, and then proceeded to tell them my opinion of it. In Seattle there is now in process of completion the formation of a new company to be known as the Washington Baking Corporation which is to take over the busi-

ness of Skinner and Hutchinson, the National Baking Co., the Seattle and the Western Bakeries Co. Mr. Skinner, of the National, will be president of the new company; Mr. Rasmussen, of the Seattle Baking Co., will be first vice president, and Mr. Mosler, of the Western, is to be treasurer. They have advanced their price from 6 cents per pound to 7 cents per pound and are now talking of going back to 8 cents per pound.

Excerpts from correspondence cited below show that new price troubles arose in the Northwest late in 1922 and were referred to the association:

Mr. Matthaei, member of the industrial relations committee, American Bakers' Association, to R. K. Stritzinger, Norristown, Pa., chairman of that committee, November 11, 1922:

In Seattle and now in Tacoma there has arisen a situation which I believe is a matter for the industrial relations committee, but this time I hardly feel that I am the proper person to try to do very much with the situation. Last Saturday afternoon late I received a phone call from Mr. Rasmussen, of the Seattle Baking Co., to the effect that they had decided to reduce the price of bread from 8 cents for the pound loaves to 7 cents and from 12 cents for the pound and one-half to 10 cents. I had a very poor connection with him on the phone and understood him to say that the cut would be effective Wednesday, but Sunday in the morning paper it carried a story to the effect that the price went into effect Monday morning. At the time I did not learn just why such a radical cut in price should be made, but from what I have learned since it seems that the Seattle master bakers have been meeting frequently at which most of the owners were present. It seems that of late the Washington Bakeries Corporation (owners of the Seattle Baking Co., Western Bakeries, and National Baking Co.) has not been sending any of its men with authority to these gatherings, which was the cause of considerable ill feeling toward the consolidation. It seems that at a recent meeting some one suggested a slight reduction in the selling price of bread, and the route man who the Seattle Baking Co. had at the meeting reported back this fact with the result that the Washington Bakeries Corporation was going to go the balance one better. Seattle and Tacoma are but 35 miles apart and we not alone compete with Seattle in shipping bread but our trucks also meet in two different localities, which meant of course that if we were to retain our business we could hardly sell our bread at 12 cents when our competitors were only charging 10 cents. (In this section most bread weighs 1½ pounds.) Seattle had also notified by mail all of the out-of-town dealers of their new price, which of course meant that we had to meet this as we compete in practically the same territory which is the western half of our State. At first we did not want to meet the new price with all of our bread, so we were going to put out a special loaf to sell at the new price and try and retain the old price on our established brands. We therefore called in several of our local competitors and suggested to them that this was possibly the best way out of our difficulty. There was only one real protest to our plans when we suggested it, but, low and behold, the following day we were the only ones in Tacoma who were selling bread at the old price. Our troubles you can appreciate, with the result that the next day we too were down with the price of our bread. What the best move is now I am not prepared to say; only one thing am I really sure of and that is that we are all going to take quite a loss while this thing is on. Possibly, so far as Tacoma is concerned we made a mistake, but had all done as we suggested, put out a special loaf to sell at the lower price, it would not have been necessary to cut the prices on everything, as we would all have been able to supply the demand where a cheaper loaf was wanted. It so happens that the mayor of Tacoma has also been trying to agitate the price of bread and it was only because of our close touch with the newspapers that we were able to keep most of his propaganda out of the papers.

In Seattle the Washington Bakeries Corporation was probably influenced some in their action by the fact that Mr. Mosler, who had been owner and later the manager for them of the Western Bakeries plant, became at loggerheads with the balance of the new concern and then withdrew from it, and is now just about ready to open another new bakery. I understand that he expects to start baking in a few days.

Conditions in the far West are quite different than they are farther east. Most of our costs out here are a very great deal higher than they are back there. Our own plant is the only one of the larger bread plants that is not operated on a strictly union basis in this State. The union rules and scale of wages are very severe. We being the only ones not controlled by them, it nevertheless influences what we can do, and the prices at which we are now all selling bread are going to be very disastrous if they continue for any great length of time. The cut is 16⅔ per cent of our old price.

Mr. Matthaei to W. H. Korn, Korn Baking Co., Davenport, Iowa, president, American Bakers' Association, November 17, 1922:

The baking situation in Seattle, Tacoma, and vicinity is pretty badly shot to pieces right now. Up until two weeks ago we were selling our bread at 8 and 12 cents per loaf. On Monday, November 6, a price war was declared in Seattle and prices have been cut to 7 and 10 cents per loaf. We compete with Seattle over our entire shipping territory and also have several routes meet with the trucks from Seattle, which of course meant that we had to meet the Seattle competition. We intended to do this by putting out a new loaf to sell at 10 cents, but some of our local competitors misconstrued our intention and they cut the price on all of their bread, with the result that all of our competitors cut the price of their bread to 7 and 10 cents and we continued one day longer on the 8 and 12 cent basis before we met them with the new price in the city. All are complaining about the situation. The price of 7 and 10 cents is entirely too low for this section of the country as we have had abnormal operating, selling, and delivery costs. Everyone is going to have to take quite a loss if they continue to put out pound and pound-and-one-half loaves at the present prevailing prices. I have been in communication with Ray Stritzinger and told him I thought this was a matter to come before the industrial relations committee, but as we are involved in the affair it was not probable that I could be of any service toward straightening up the present difficulty. If you have any suggestions to offer in the matter I would be pleased to have you drop me a few lines.

At a meeting of the board of governors of the American Bakers' Association, December 4, 1922, the industrial relations committee in reporting on its work took cognizance of the foregoing situation and recommended that I. K. Russell be sent to the Northwest as a representative of the association in adjusting the bakers' differences on prices. The following is from the minutes of that meeting, Mr. Korn, president of the association, quoting a paragraph from the report of the committee previously submitted:

Mr. KORN. The second question is with respect to Mr. Russell's trip:

The complaints received from the extreme Northwest—the States of Montana, Idaho, Washington, and Oregon—would seem to justify comprehensive treatment. The difficulties arise chiefly from personal snarls into which the baking industry has fallen. We recommend that Mr. I. K. Russell be authorized and directed as a representative of this association, to make a trip to such points, and to meet such groups upon such intinerary as may be arranged at the earliest possible moment, and Mr. William Matthaei to act as friendly mediator. We consider Mr. Russell's experience in Washington and the fact that he once resided in Tacoma as working strongly in favor of success.

Mr. STONE. If he is worth anything to the bakers why can't we fix some small sum? If those fellows would like to have this association take part in it, it ought to be worth something.

Mr. MATTHAEI. I believe every section of the country has at some time or other enjoyed the visit of some member of the national association. I believe that section of the country is entitled to a little consideration. Our membership is only very small, but there is a lot of good timber out there. I believe the time is ripe when this association had better use the funds it has to give the members personal, intimate, immediate assistance, and I would like to make a motion that Mr. Russell be sent to the Northwest, as requested.

It was suggested that he return through Houston for the same purpose. The motion was seconded by Mr. Swanson and carried.

Mr. TAGGART. I would like to give the committee the privilege of using its discretion as to where he should be sent.

For a few months at least the Washington State Master Bakers' Association was a factor in price adjustments in the Northwest and

lent able assistance to the American Bakers' Association in this section. In a letter "To the Membership," issued by the State association, under date of June 22, 1923, appeared the following:

About three months have expired since we opened office and started the active work of organizing the master bakers of the State and it seems well that we take inventory and see how we stand.

We now have nearly five times as many members as the Oregon association. That is a good showing on the face of it, but there are still many firms which for one reason or another have not joined the association. * * *

When the association started there were several bread and cake wars in various parts of the State—some of them quite serious. The quality of the product was being shot down along with the price and this cut into the volume, and few were making a reasonable profit on their investment. To-day an armistice has been signed on the battle front of every large scrap, and the outlook is substantially improved. The secretary is ready to go to any part of the State at any time an outbreak is threatened.

An "official bulletin," issued by the secretary of the Washington State Master Bakers' Association (Bulletin No. 10, December 17, 1923), presented to the members of the association the results of "The mid-winter conference at Spokane, December 2." With reference to this conference the bulletin said:

The conference was a success. Much real work was done in this short session and much was accomplished. We had reached a critical stage in the organization. * * *

Various views of the questions confronting the industry were discussed in a broad-gauged way, decisions were reached, and everyone went home feeling that much had been accomplished. * * *

At this conference, according to the bulletin, there was considerable discussion of the subject of "inserts" or "premiums" given away with bread. By a unanimous vote, the conference adopted the following report:

We further believe that the use of inserts such as toys, pictures, candy, coupons good for prizes or cash, or the redemption of wrappers in cash or merchandise, constitutes unfair advertising and violates the code of ethics of the association and is a menace to the welfare of the baking industry. In other words, we believe that any means which tends to sell bakery products on their merits is fair, and any means which seeks to sell bakery products by giving prizes or other inducements, aside from the merit of the product itself, is unfair.

In this same bulletin the secretary continued as follows:

If anyone in your district is going to use these unfair inserts call me at once and I'll be with you. We learned here how to kill such campaigns in short order, and I'll be glad to help you fight such a campaign if it comes up in your district.

Prices.—President Swinney appointed Hansen, chairman, Bradley, and McMichael. Much cost-analysis work had been done by Mr. Hansen and others to assist this committee, and they reported the cost average of a pound loaf wrapped on route to be 7⅛ cents and the same loaf shipped 7.8 cents. Pound-and-one-half loaf on route 10.7 cents and shipped 11.7. The report concludes, "The above figures speak for themselves and certainly do not justify any cut in prices. The correct wholesale price of bread is 8 cents for pound loaf and 12 cents for pound-and-one-half loaf." The committee also recommended that cash-and-carry stores be permitted to sell bread at retail for 1 cent less than the service stores. Ackerman called attention to the fact that in many places the cash-and-carry stores were getting the full retail price and suggested it would be unwise to voluntarily announce to them that they could sell for less. So Ackerman moved that these stores should not sell for 1 cent less except in those places where the practice already prevails and with this change the report was unanimously adopted.

Again, in 1924, Mr. Matthaei, as both governor of the American Bakers' Association and member of its industrial relations committee, was endeavoring to straighten out price differences of competitors in the Northwest. Under date of February 12, 1924, he wrote from Tacoma, Wash., to Mr. Barnard, Chicago, secretary-business manager of the association, as follows:

The Yakima Valley bakers, through a lot of foolishness, are again in the throes of a price war. For the last few years every couple of months these fellows get peeved at each other and start cutting prices. I have been over there several times and have tried to help them get straightened out. * * *

Since my return from the East last fall I have had to make four trips down to Portland to try and maintain peace in the baking business there. I was in Portland four days again last week. This is all work which really the association should be credited for but which can not be made public, as the Ku-Klux, union fights, etc., all enter into the difficulties. When I left Saturday, the things seemed to be under fair way again, and I hope that it will not be necessary for me to go back again for several months, at least.

Section 6. Fort Wayne, Ind.

In the latter part of 1921 the American Bakers' Association interested itself in the price situation at Fort Wayne, Ind. S. F. McDonald, chairman of the association's committee on industrial relations, writes to H. E. Barnard, Chicago, then business manager, American Bakers' Association, December 2, 1921, concerning the Fort Wayne competitive situation as follows:

I would suggest that, if possible, if McClinton is still with you that somebody from your office make a trip down to Fort Wayne, endeavoring to get the bakers together there, form a local organization, set a time at which they will eliminate the premium-giving plans, and endeavor to secure their application for membership in the national association, and if there are any other bakers in that territory throwing monkey wrenches in the gears they should be invited over to the meetings.

Mr. Barnard to Mr. McDonald, December 8, 1921:

I have written E. L. Cline, A. L. Taggart, and President Ehlers, of the Indiana association, asking for information on the Fort Wayne situation. I do not know what they have done, if anything, with that information in hand.

It may be advisable for me to send McClinton to Fort Wayne. About two weeks ago I stopped off there and had a conference with George Haffner. Haffner, who is usually optimistic, says that the situation is most deplorable. He lays it not so much to unfair competition as to too much competition. He enumerated 13 wholesale bakers and pointed out the fact that there is not enough business in a town of 100,000 for half that number. Every baker down there is losing money, is badly worried, is fearful of his competitors, and is desperately hunting for a way out.

I suggested to him the possibility of a merger by which a number of the plants could come together and save the situation. Frankly, I think that if the facts are as he outlines them this is about the only thing which will help in that town. As soon as I have the Indianapolis viewpoint, I will advise you further.

Mr. McDonald's comment on this memorandum follows:

Good work. We may be called on to do engineering work in lots of localities where overcapacity has been produced ("war babies").

Will await further report.

E. L. Cline, Taggart Baking Co., Indianapolis, writes to Mr. Barnard under date of December 13, 1921:

In reference to the Fort Wayne situation, Mr. Ehlers [secretary Indiana Bakers' Association] was up there about six weeks ago and called on all the wholesale bakers and discovered they were having quite a price war; that is, they had the

price down where it was impossible to make any money, and there seems to exist a misunderstanding which proved to be, as he found it, unfounded. It seems that the Superior Baking Co. was supplying a chain of stores bread, which the chain was selling very cheaply, and the Perfection people felt that the Superior people were giving the chain stores a special price.

In the meeting which they held, however, the Superior went on record as not giving a special price and were perfectly willing for the Perfection to take the business at their regular price.

Since then the Sherer Baking Co. has gone into the hands of a receiver and the whole situation seems to be badly muddled. Ehlers says that the bakers there wanted him to tell them what they must do. This, of course, he could not do, and by this time they have probably talked it over and would probably welcome some one to straighten them out.

This is the situation as we know it. If you send McClinton over, we will be interested in learning of his results.

With kind regards, I am.

Mr. Barnard's memorandum for Mr. McDonald and reply:

I inclose a memorandum on the Fort Wayne situation. McClinton didn't get very far with his first analysis. I shall go over the whole matter with Taggart and some of the Fort Wayne bakers at the Indiana State convention on the 4th. (December 28, 1921.)

I shall be glad to have a brief report of your conference with Mr. Taggart. (December 30, 1921.)

Mr. McClinton's memorandum on the Fort Wayne situation written to Mr. Barnard follows:

After investigation of the condition in Fort Wayne, I am convinced that the bad trade situation has grown largely out of the actions and career of the Sherer Bakery:

(1) Because they were probably the first to cut bread prices early in the present year.

(2) The fact that they formerly were in the hands of a receiver has contributed an additional wholesale establishment in that the former receiver for the company organized a new company.

(3) Immediately preceding the present receivership another wholesale bakery was organized by one of those connected with the Sherer Co.

(4) The Sherer plant now being closed makes possible the addition of a strong company in a field that is already much overcrowded.

Conditions that seemingly create a situation that is not conducive to cooperation:

(1) Personal differences that arose during war time between the representative of two firms.

(2) A feeling that one bakery firm is giving a special price to an organization of chain stores.

(3) There are two chain-store organizations. These stores have not been selling at discount rates. However, the two organizations comprise about 50 grocery stores out of a total of about 200 in the city.

(4) The Federal Bakery has gone into the wholesale business in that they are selling bread to a delivery organization, this latter having about 10 wagons in operation selling direct to the housewife. They also sell to grocery stores who call for the bread.

(5) Several of the firms have been carrying on an extensive premium campaign. They conform to the Indiana statute by putting a redeemable cash value on the wrapper.

(6) One firm in Fort Wayne is reported as saying that they will get the bread business back if they have to buy it.

(7) There are about 30 bakers (wholesale and retail) in the city of about 90,000 population.

The Perfection Biscuit Co. holds the key to the situation as other bakers will welcome a readjustment of prices.

There is some possibility of action being brought against the Perfection Co. claiming unfair trade practices. This on the assumption that this company is using its biscuit department to carry the bread department in an effort to drive out the competitors.

Suggestions.—(1) The wholesale bakers get together and discuss ways and means of preventing another company from taking over the Sherer plant and by so doing effect some relief in the competitive field or at least prevent matters from becoming worse. The Sherer people did not have a large city business, most of their volume being shipping business.

(2) Get the two men together and settle once for all any differences growing out of war experiences.

(3) By the first of the year it is possible that the firm accused of having one of the chain-store business on special contract price may lose it because of their refusal to make a special price contract. This would automatically clear up the grounds for charges against this company on such practices.

(4) In the meeting to consider ways and means of disposing of the Sherer plant, once for all, no mention should be made of the price situation. This meeting should lay a foundation for a kindlier cooperation among the bakers and pave the way for a meeting a week later for the same group called by an outsider and in this meeting secure if possible an understanding for adjustment.

It should be possible to show these people that the public care nothing about their business conditions; that business will adjust itself into more or less the same condition as before the trade war; that all concerned will have lost much money and will have nothing to show for it.

I understand the representatives of Dunn have already been in Fort Wayne looking into the financial standing of the firms as a result of the conditions existing in the bread business in Fort Wayne since last August.

Sherer reports show $43,000 liabilities and 168 creditors.

The failure considered due partly to competitive conditions in Fort Wayne and partly due to management.

Mr. Barnard to Mr. McDonald, January 30, 1922:

The Fort Wayne situation is being thoroughly gone into. Mr. ———, of the ——— company, spent two hours in my office the other day. He is the big man of the group and probably the bad man; nevertheless, he is the only efficient baker in Fort Wayne. We will now arrange for a conference there which may give us a chance to help them. I recently saw Mr. ——— and he agreed to work with us. If ——— and he get together we can make some progress. There are several touchy angles to the proposition but I have hopes that we can help them.

Under date of March 7, 1922, Mr. Barnard writes Mr. Haffner, of Haffner's Star Bakery, Mr. Franke, of the Perfection Biscuit Co., and the Superior Baking Co., Fort Wayne, Ind., regarding the conference of Fort Wayne bakers as follows:

Mr. GEORGE M. HAFFNER,
Mr. J. B. FRANKE,
Superior Baking Co.

GENTLEMEN: It has been suggested that the bakers of Fort Wayne will be very glad to have a representative of the American Bakers' Association come to Fort Wayne to meet the bakers of your city. If such a conference can be arranged, I shall be very glad indeed, to do what I can to make the meeting interesting and helpful.

I shall be very glad to have suggestions from you as to a convenient date for holding the conference.

Yours, very truly,

———— ————,
Secretary and Business Manager.

D. P. Chindblom, the W. E. Long Co., writes to Mr. Barnard, October 27, 1922, as follows:

I thank you for your telephone information this morning concerning the Fort Wayne situation.

This is certainly encouraging and I hope that nothing will break down there. If it does, I will let you know.

I appreciate very much your taking the matter up.

If these fellows break loose down there, they are going to demoralize conditions in the State of Indiana, not only in Fort Wayne but for, at least, 30 to 40 miles around there, and you know that that simply means it will spread even farther.

The following correspondence discloses the part the American Bakers' Association had in settling the price war at Fort Wayne, Ind.,

at the close of 1922 and extending over into 1923, through the secretary's office and the committee on industrial relations.

M. A. Morris, Bakers' Helper, Chicago, to Mr. Barnard, December 4, 1922:

This morning we received a letter from S. A. Curry, a baker of Edgerton, Ohio, who says he is facing a bread war, and would do anything to avoid it. "The Superior Baking Co., of Fort Wayne, sells bread to anyone who will operate a truck at his own expense. These drivers sell bread at 9 cents less 2 per cent, if I have the straight of it. I have been selling my bread at 9½ cents wholesale and 11 cents retail, making a better loaf. It did not seem to hurt much until a new grocer came to town and refused to handle our bread until I gave him a discount lower than the other grocer. I refused and he began to sell for 10 cents. This started the people to talking—why he could sell at 10 cents when I got 11 cents. Also, the grocer is a windjammer and told the people I was robbing them and him, using bread for a leader. At this the other grocers demand 10-cent bread, and I can not keep up quality and keep even when flour is up, paper increasing, etc. I think something should be done, as such competition is unfair to me and to the baking industry. What good could be obtained through the American Association?"

We have written to E. D. Kaulback, president of the Ohio association, and to H. N. Dixon, field worker for the Ohio association, and we have told the baker to use his local newspaper to tell the community of his quality goods and appeal to them to patronize home industries, everything else being equal. If you can extend your service or advice, will you please give him the benefit of it? Does the industrial relations department deal with things like this?

R. K. Stritzinger, Norristown, Pa., chairman, committee on industrial relations, to S. A. Curry, Edgerton, Ohio, December 8, 1922:

Your letter to the Bakers Helper has reached the committee on trade and industrial relations of the American Bakers' Association. It is our custom on any complaint of this nature to communicate at once with the baker complained against, giving him a copy of the complaint, and asking him if he believes that his position is fair to the baking industry. We are writing such a letter to the Superior Baking Co., and will be glad to give you a copy of their reply and defense, if they have any to offer.

The American Bakers' Association is working untiringly to do all in its power for the good of each and every member of the industry, large or small. The officers and governors are men from all sizes and types of bakeries and their interest is in bakers in general, rather than in any particular class of bakers.

We trust that we may be able to serve in settling the disturbance.

R. K. Stritzinger to Mr. Morris, December 8, 1922, as follows:

I have before me your letter to Doctor Barnard under date of December 4. The matter has been referred to the committee on trade and industrial relations and we are writing to Mr. Curry, as well as to the Superior Baking Co.

Thanking you for your interest, which, as we know, has always been in the advancement of the baking industry, I am.

R. K. Stritzinger to the Superior Baking Co., Fort Wayne, Ind., December 8, 1922, as follows:

The committee on trade and industrial relations of the American Bakers' Association feels that it can best serve the industry by communicating charges of unfair competition to all persons complained against. We feel that it is an act of friendliness and that all bakers everywhere are glad to know it when any compeditor [competitor] feels that he is being treated unfairly and without regard for good ethics.

We have a complaint before us against your company, and knowing that there are two sides to every story we are asking you to give us a reply as to your belief in the matter of the following letter:

"The Superior Baking Co., of Fort Wayne, sells bread to anyone who will operate a truck at his own expense. This driver sells bread at 9 cents less 2 per cent, if I have the straight of it. I have been selling my bread at 9½ cents wholesale and 11 cents retail, making a better loaf. It did not seem to hurt much until a new grocer came to town and refused to handle my bread until I gave him a discount lower than the other grocers. I refused and he began to sell for 10 cents. This started the people to talk—why he could sell at 10 cents when I got 11 cents. Also, the grocer is a windjammer and told the people I was robbing them, and I am using bread for a leader. At this the other grocer demanded 10-cent bread, and I can not keep up quality and keep even when flour is up, paper increasing, etc. I think something should be done, as such competition is unfair to me and to the baking industry. What good can be obtained through the American Association?"

We trust that you will understand the position of this committee and that you will give us, as early as possible, the answer which you would give in talking to Mr. S. A. Curry, a baker of Edgerton, Ohio, who wrote the above letter to the Bakers Helper Co., who forwarded it to the committee.

Superior Baking Co. to Mr. Stritzinger, December 22, 1922:

Several days ago we received your letter of the 8th which we have given careful consideration and have investigated this matter thoroughly.

We shall be more than pleased to answer your inquiry and to give you any and all information considering this matter.

We would very much welcome having the baker who reported us call on us personally, or to have a representative from the association call on us, for we know that you would be more than satisfied that our business is being run differently than told of in the complaint and there are no discounts given to anyone.

It was our privilege up until a short time ago to supply the Great Atlantic & Pacific Tea Co. stores, whose bread account amounted to practically $3,000 a month, and who paid us the regular 9-cent price, without any discounts, rebates, or anything else, for goodness knows that 9 cents is too cheap a price to make any lower.

Getting down more directly to the complaint, we do not sell bread to anyone who will operate a truck but have regular established routes—although these trucks are owned by the men who drive the cars, which method we have found more satisfactory than if the bakery owned them. If we wanted to send out anyone who was willing and had a truck, we have some odd twenty applicants on file, but that is not our method of doing business.

Our salesman is getting 9 cents straight for our bread, with no discount. This can be proven to anyone and we should be glad to do so. The grocer to-day is employing every means to lower the price, and there is hardly a day passes that we don't hear that some baker has offered bread at a lower price. We do not pay any attention to such rumors, for I am sure that the baker who has filed this complaint will, if he gives it the proper thought and consideration, realize that we are not fighting him or anyone else, but that we are protecting him to a certain degree at a 9-cent level, by being in competition with those that sell bread at as low a price as 7½ cents for the 1½-pound loaf against our 9-cent price.

Will you kindly extend an invitation to this baker to visit us and we will be more than pleased to show him every courtesy, as we want to be friendly with him as we are to the large majority of bakers with whom we compete.

If there is anything further that we can do on this matter, kindly call on us.

Mr. Stritzinger to Superior Baking Co., December 28, 1922:

The work of this committee would be much more pleasant if all of our communications might savor of the fairness shown in your letter of the 22d. I am forwarding your invitation to the complaining baker and trust that harmony will reign in your community.

With best wishes for the New Year, I am.

Mr. Stritzinger to Mr. Curry, January 3, 1923:

You will recall from my letter of December 8 last that I told you this committee was bending every effort toward promotion of harmony in the industry, and that your complaint would be taken up with the Superior Baking Co. I have before me a most courteous and fair letter from Mr. Garttner, of the Superior Baking Co., in which he cordially invites you to his bakery. Mr. Garttner denies the giving of discount in any form, even to the Atlantic & Pacific Tea Co. store, whose bread account amounting to practically $30,000 [$3,000?] per month. He is anxious to show you his books and to demonstrate his good will and his desire to cooperate with the bakers of the surrounding section.

May I not ask you to call on Mr. Garttner as early as possible, with the trust that the conversation may lead to a happier and more prosperous new year for all concerned.

Section 7. Danville, Ill.

Price wars have been common at Danville, Ill., for several years. In September, 1921, such a war broke out involving all the local bakers and the Ward Baking Co. shipping in from Chicago. The Mueller-Spitz Baking Co., Danville, made complaint of Ward's practices to the industrial relations committee, but without immediate results. On December 6, 1921, Walter C. Spitz wrote S. F. McDonald, Memphis, Tenn., chairman of the industrial relations committee, American Bakers' Association, as follows:

I was very much interested in reading in the Bakers' Weekly of December 3d of the action taken by the industrial relations committee of the American Bakers' Association in endeavoring to adjust a price war existing between the bakers of Seattle. Also, the action taken by this committee in calling the attention of an Indiana baker to a State law regulating the distribution of premiums.

I can not quite understand, however, why your committee has overlooked certain conditions which exist in this territory, and with which they must be familiar. The Ward Baking Co. for over two months has been giving a loaf of bread away with every one which they sell in this town. They claim that they feel justified in taking this action because one of the bakers in Danville has used unscrupulous methods against them. At the same time they admit that they have no grievance against our firm, but it is absolutely necessary that they squeeze us, together with the other bakers in Danville, in order to force the baker above mentioned to use fair tactics. We, of course, realize that there are two sides to every story, but we feel that the industrial relations committee should look into the conditions that exist in Danville and help us to adjust same.

Thanking you in advance for the consideration shown the Danville bakers in this connection, I remain.

Mr. McDonald replied, December 10, 1921, as follows:

I am in receipt of your good letter of the 6th instant. I regret to note there are some bad conditions in your part of the country, but I am very hopeful of their being changed, inasmuch as you state to me that Mr. Ward is interested in them. I have known Mr. Ward a long time; Mr. Ward is known as a man who operates on a basis of rendering a service to the public, a decent service to his employees, and a fair margin of profit to himself, under which conditions everybody engaged in the same line of business in the same territory with him is enabled to operate in a decent manner, and have a fair margin of returns for their effort. A good business man, when it is evidenced that he is making a loss, wants to make a determinate loss; that is to say, it is necessary for him to know how much his loss is, for a leak which you do not establish the extent of is a dangerous proposition, and, as I say, every good business man will spend probably more money than is lost at the leak to establish just exactly what this amounts too. If there are bakers in your territory who thought that they could make Mr. Ward's investment in that territory a loss are merely up against this situation; that is to say, he is going to develop the thing and know exactly what his loss is. I have no brief for Mr. Ward, and am merely speaking my own opinion, and I do believe that if you will get these bakers together; and suppose that you try it, and represent me in this matter, and get these bakers together and discuss with them as to whether they can sincerely come to a conclusion, the conclusion being that which would be a decent one for the consuming public, and permit them to give it a fair return to their employees, and a fair margin of profit to themselves commensurate with the effort, and I believe with this sort of situation established that a representative from the Ward interests will be glad to discuss the whole proposition. As stated above, this in no way commits Mr. Ward, as I have not approached him on this matter, and am in no position to speak for him; but it is of no use to take the matter up until the bakers in your territory, or at least those who are responsible for the situation, desire a change that will be one that is satisfactory, and is due to the trade in your territory.

Do not misunderstand me, I am not putting the idea out that anyone in particular has caused this situation; I do say, however, that if it is Mr. Ward's direct,

initial act, I should be more than surprised, as it would be the first time that it has ever come to my attention that Mr. Ward has precipitated a condition that you state exists in your territory. Personally, if I had to have competition in Memphis I should prefer to have Mr. Ward to anyone that I know of at this time.

Won't you kindly represent the industrial relations committee, and endeavor to get the men together and wire me, and if you are able to come to a satisfactory conclusion, I shall then be glad to approach Mr. Ward.

Hoping to have the pleasure of hearing from you in the very near future, I am.

Other correspondence followed, and finally in a memorandum to Mr. McDonald, January 30, 1922, Mr. Barnard said:

The Danville, Ill., trouble has been adjusted and I have asked Mr. Hines for a report on the situation.

Section 8. Michigan.

The Schulze Baking Co., Chicago, has a plant at Grand Rapids, Mich. From this plant it ships bread to Hastings, Mich. The following is a letter from a Hastings bakery:

JANUARY 9, 1923.

AMERICAN BAKERS' ASSOCIATION, *Chicago, Ill.*

GENTLEMEN: There is a little matter I wish to talk over with you before remitting for the 1923 dues, of which we are very anxious to keep up our membership and boost for the organization as well as for the industry, but we find some very discouraging things being pulled off that the writer firmly believes can be adjusted through this organization.

For instance the Shultz [Schulze?] Baking Co., of Grand Rapids, is shipping bread into Hastings and selling to the stores at the wholesale price of 8 cents a loaf and the same loaf they are wholesaling in Grand Rapids and other places for 10 cents.

This, in our judgment, is not fair competition and if same is not remedied we will be unable to keep up our membership or even to remain in the wholesale business.

Very truly yours,

STAR BAKERY CO.,
By W. R. JAMIESON.

(Copy of this letter sent to Mr. Stritzinger.)

The American Bakers' Association replied as follows:

JANUARY 10, 1923.

STAR BAKERY CO., *Hastings, Mich.*
Attention Mr. W. R. Jamieson, mgr.

GENTLEMEN: Your letter of January 9, addressed to American Bakers' Association, is acknowledged.

We note your interest in keeping up your membership in the association, and for this reason we are forwarding a copy of your letter to Mr. R. K. Stritzinger, chairman of the industrial relations committee, who will write you regarding the matter mentioned in your letter.

We want very much to retain our present membership and also to increase the membership of the association during the coming year, as we feel that the work of the association and the institute is growing more and more important for the future of the baking industry.

Very truly yours,

C. B. MORISON.

The association to R. K. Stritzinger, chairman industrial relations committee:

JANUARY 10, 1923.

Mr. R. K. STRITZINGER,
Lewis G. Stritzinger Bakery, Main and Markley Streets, Norristown, Pa.

MY DEAR MR. STRITZINGER: I am inclosing a copy of a letter received from the Star Bakery Co., of Hastings, Mich., together with a copy of my reply. Will you see what you can do to straighten this matter out?

Very truly yours,

C. B. MORISON.

Mr. Stritzinger to the Schulze Baking Co.:

JANUARY 13, 1923.

SHULTZ [SCHULZE] BAKING CO.,
Grand Rapids, Mich.

GENTLEMEN: The committee on trade and industrial relations of this association feels that when a complaint is received from a baker accusing another baker of unfair business practice it is an act of friendliness to submit a copy of the complaint to such accused baker. We feel that in many instances this procedure clears away many misunderstandings. A copy of the reply to such complaint is always sent to the complaining baker.

We are inclosing a copy of a letter received at this office from the Star Bakery Co., Hastings, Mich. We would appreciate if you should be so kind as to give us an answer which you believe should be made to that complained [complaint].

Trusting you may understand the position of the committee, I am

Cordially yours,

Chairman Committee on Trade and Industrial Relations.

——— ———,

Schulze Baking Co. in reply:

JANUARY 16, 1923.

AMERICAN BAKERS' ASSOCIATION,
107 W. Fornance Street, Norristown, Pa.
Attention Mr. Stritzinger.

GENTLEMEN: We are in receipt of your letter of January 13, also copy of letter sent in by the Star Baking Co., of Hastings, Mich.

Sometime ago, I can not say the exact date, I made a trip to Hastings and had a talk with Mr. Jamieson in regard to local conditions, prices, etc., and at that time we made a verbal agreement now [not] to make any changes in the wholesale price of bread in that locality without first talking it over.

About six months later our local representative called me on the phone one morning and informed me that the Star Baking Co., was wholesaling their bread for 8 cents, our price at that time being 10 cents. The only thing left for us to do was to follow suit, which we did the following day.

Why the Star Baking Co. should complain about unfair competition, as far as we are concerned, is a mystery to me, when they started this price cutting, but if they feel that they want to raise the price of bread to where it formerly was and make a fair profit to which they are entitled, we will be glad to cooperate with them.

Yours very truly,

SCHULZE BAKING COMPANY.
JOSEPH COOPER, *Manager.*

Mr. Stritzinger to the Star Bakery Co.:

JANUARY 20, 1923.

STAR BAKERY CO.,
Hastings, Mich.
Attention of Mr. W. R. Jamieson, manager.

GENTLEMEN: In further reply to your letter of the 9th instant, we are inclosing a copy of a letter which we have just received from the Schulze Baking Co., of Grand Rapids.

It would appear that the Schulze Baking Co. is holding the door open for a direct personal conference on the matter in question. May we not suggest that your Mr. Jameison arrange for an interview with Mr. Cooper whereby all matters of controversial nature may be ironed out?

We trust this correspondence will demonstrate to you that the committee is really working constantly for the good of the entire industry.

Very truly yours,

COMMITTEE ON TRADE AND INDUSTRIAL RELATIONS,
By ——— ———, *Chairman.*

And finally, Mr. Stritzinger to the Schulze Baking Co.:

JANUARY 20, 1923.

SCHULZE BAKING CO.,
Prescott Street and Ionia Avenue, Grand Rapids, Mich.
Attention Mr. Joseph Cooper.

GENTLEMEN: We have your very good letter of the 16th instant and are sending a copy to the Star Bakery Co,, Hastings, Mich.

It is very gratifying to the committee to have such a fair and courteous response to their letter of the 13th. As you know, we are endeavoring to make contacts where such are broken, and it is our trust that the Star Bakery Co. will get in touch with you on receipt of our letters of this date.

Again thanking you, we are,

Very truly yours,

COMMITTEE ON TRADE AND INDUSTRIAL RELATIONS,
By ——— ———, *Chairman.*

At Saginaw, Mich., there was trouble between the local bakers in 1924, in the settlement of which the American Bakers' Association, through its industrial relations committee, was asked to participate. The following correspondence is from the files of the association secretary's office at Chicago:

SAGINAW, MICH., *May 13, 1924.*

AMERICAN BAKERS' ASSOCIATION,
Chicago, Ill.

GENTLEMEN: We have recently become involved in a premium campaign. We have had in effect for about two years a gentlemen's agreement to abolish all premiums. Recently the foremost baker in town started a toaster campaign, giving away a toaster with 10 coupons on payment of an additional 89 cents.

We are very much opposed going into a premium proposition, inasmuch as we are sure the rest of the bakers will follow, which will eventually put us all on the same basis with no more volume than we had before, with an additional expense of the premium proposition.

No doubt similar experiences have been had by bakers in other cities, and we are wondering if you can send us any information which would assist us in meeting the unfair competition.

Very truly yours,

THE GASE BAKING CO.,
E. J. GASE.

———

MAY 17, 1924.

Mr. L. A. SCHILLINGER,
Gardner Bakeries (Inc.), Baltimore, Md.

MY DEAR SCHILLINGER: Here is a letter and a copy of my "pass-the-buck" reply. I don't see how you are going to handle the situation, but I am very much interested in knowing what you do, and I shall be grateful to you if you will send me a copy of your letter.

Now that the board members have gone home and we have written up the minutes, we find that we accomplished a great deal in the three days you were with us.

Yours very sincerely,

H. E. BARNARD,
Secretary and Business Manager.

———

MAY 17, 1924.

Mr. E. J. GASE,
The Gase Baking Co., 404–406 West Genesee Avenue, Saginaw, Mich.

MY DEAR MR. GASE: I wish it were possible for us to give you some definite and direct assistance in handling the premium campaigns. They are always hard to handle, and the more so when those who are conducting them are not members of the association.

But in your case, as in all such cases, our only recourse is to turn the matter over to the chairman of our committee on trade and industrial relations, Mr. L. A. Schillinger, Gardner Bakeries (Inc.), Baltimore, Md. Mr. Schillinger knows how to handle these cases better than any other member of the associa-

tion, and he has been successful this past year in straightening out a good many of them, so I am sending your letter on to him, with the suggestion that you need his help.

I don't quite understand the psychology of a baker who thinks he can gain permanent business by using the toaster as a premium proposition. Undoubtedly, the sale of toasters will increase the consumption of bread, but premiums serve only to upset the trade conditions temporarily. This you outline very clearly in your letter.

The only way I know of by which we can ever prevent such unfair trade practices is by organizing bakery groups so closely that the members will play fair one with the other. May I quote from an address made by Mr. Hoover before the chamber of commerce at Cleveland last week. He said: "Business must voluntarily formulate and enforce rules and regulations which will bring ethical conduct in business or the Government must by regulation do it for all business."

Is this not a clear and logical statement?

Yours very sincerely,

H. E. BARNARD,
Secretary and Business Manager.

BALTIMORE, *May 29, 1924.*

The GASE BAKING CO.,
404 West Genesee Avenue, Saginaw, Mich.

MY DEAR MR. GASE: You are certainly welcome to any interest shown by the writer in advising you of his full cooperation to assist in stopping the toaster premium campaign put on by Mr. F. J. Wolfarth, and I am happy to know that, so far as you are concerned, your counterattack has served your personal interest. However, it has not entirely solved the problem that we of the American Bakers' Association are trying so hard to do, and you must agree with me that the manner in which you have retaliated is but a temporary condition, which can not help but have a bad reaction, because all you have done is to kill the effect, whereas what the industrial relations committee is trying to do is to prevent the cause.

If I may suggest, now that the game stands with each one of you winning a leg, why not go to Mr. Wolfarth, talk the situation over, and squash the whole plan immediately, because with both of you temporary winners it will be much easier to call off all bets at the moment rather than to await the next move, which will make it embarrassing to get together.

Though you are not a member of the industrial relations committee, still you are a member of the American Bakers' Association, and the few men on the committee can do very little without the cooperative support of its full membership; likewise individuals in respective territories where these unethical things are being practiced, and not only would you be serving yourself and Mr. Wolfarth in the highest degree, but your action would reflect greater results to every member of our organization, and the writer and his committee will feel deeply grateful for this cooperation.

Trusting you will not take this suggestion lightly but will give it serious thought and go to the front for your organization as the writer was willing to do for you, believe me, with warm personal regards and best wishes,

Cordially yours,

AMERICAN BAKERS' ASSOCIATION,
_____,
Chairman Industrial Relations Committee.

Inter: To Dr. H. E. Barnard.
Office: From Mr. Schillinger.
Letter: Date, May 29, 1924.

Attached letter from the Gase Baking Co., with copy of the writer's reply, tells its own story. After it has served your purpose please return for my files.

Regards.

Mr. Schillinger stated to the commission's agent in an interview March 24, 1926, that he did not have the letter from the Gase Co. referred to in the above interoffice letter of May 29, or any correspondence relating to the case, and had no recollection as to how the matter was finally settled.[4]

[4] As noted in connection with the Pittsburgh case (p. 118), the files of the chairman of the industrial relations committee relating even to recent cases handled by him are incomplete, and the chairman's recollection of these cases gone. For other similar cases see pp. 71, 106, and 127.

Section 9. Denver.

Bakers of Denver, Colo., have been disturbed from time to time with price cutting and premium giving, and State and national associations have been called upon for relief.

The Old Homestead Bread Co., of Denver, wired Mr. Barnard, Chicago, secretary-business manager of the American Bakers' Association, August 8, 1923, as follows:

Ettenson and Kilpatrick have gone back to premiums. All bakers up in arms. Colorado association is seriously jeopardized. As member of the American association, request you to make serious effort to straighten out situation.

Mr. Barnard wired R. K. Stritzinger, Norristown, Pa., chairman industrial relations committee, August 8, 1923, as follows:

Just received wire from Old Homestead Bread Co., Denver, as follows: "Ettenson and Kilpatrick have gone back to premiums. All bakers up in arms. Colorado association is seriously jeopardized. As member of the American association, request you to make serious effort to straighten out situation." Can you, as chairman, relieve the situation?

Mr. Barnard also wired the Old Homestead Bread Co., August 8, 1923:

Wire received. Matter referred Chairman Stritzinger for answer. Write full particulars.

The Old Homestead Bread Co. then wrote to Mr. Barnard, Chicago, August 8, 1923, as follows:

We acknowledge receipt of your wire of to-day.

Along in February Mr. Ettenson and Mr. Knight, both of Denver, called on all bakers who were then using premiums and asked them to discontinue the use of same on March 15. This was agreed to and went off nicely and everything was calm until Mr. Ettenson pulled the stunt of giving away a loaf with a loaf for three days. The Cozian Baking Co. took this as a violation of the agreement and started putting candy in its bread. The rest of the bakers managed to put off the crisis and we got by without anyone else falling for the same thing or worse, with the result that Cozian got very little business through his efforts.

A "Code of ethics," copy of which is inclosed, was then signed by all the larger bakers, including Ettenson.

Mr. Ettenson seems to think that he is being hurt by the Cozian Baking Co. and by other small bakers who are supposedly cutting the price.

On Saturday, August 4, Mr. Ettenson put handbills all over the town notifying the grocers and housewives that candy is in Kilpatrick's bread. The small bakers who pulled their candy, as well as the large bakers who did the same, are seriously up in arms. The situation is fast assuming the proportions of a price war.

You know well that this means a complete breakdown of the association and complete wrecking of all the work we have done up to date. Mr. Ettenson's position as president of the association makes it react squarely on the association. This is as nearly as I can give you the details of the situation.

We feel that the whole thing is serious enough to warrant us asking your support.

CODE OF ETHICS, WHOLESALE DIVISION, COLORADO STATE BAKERS' ASSOCIATION

NO PREMIUMS

No special inducements to grocers or restaurants, either in weights, discounts, gifts, or any other manner.

Sampling the grocer shall be limited to cut loaves. Leave no salable loaf with him.

Sampling restaurants shall be limited to one loaf of each type of bread used by restaurants.

Sampling with rolls shall be limited to one dozen of each type of rolls used by the restaurants.

Basis of checking weights shall be as follows: Weigh 25 loaves and take the average weight of one loaf thus obtained.

Any member of this association may call on any other member at any time for the purpose of checking his weights.

We agree to this code of ethics and will conduct our business accordingly.

THE ———— Co.,
By ——— ———.

Mr. Barnard's office referred the above letter and code to Mr. Stritzinger, who wrote the association, August 14, 1923, as follows:

For Doctor Barnard's information, on his return to the office, I have followed the usual procedure of the committee and have mailed a copy of Mr. Ferguson's letter to Mr. Ettenson, with the suggestion that he reply thereto, etc. Mr. Ferguson has been sent the customary form letter which we have used in other cases.

The matter was also referred by the secretary's office to William H. Korn, Davenport, Iowa, president of the association, and Max Livingston, Livingston Baking Co., Chicago, first vice president of the association.

On August 21, 1923, the Kilpatrick Baking Co., Denver, Colo., wrote to Mr. Stritzinger as follows:

We are in receipt of your letter dated August 8. We realize that you, representing the American Bakers' Association, are entitled to a letter stating our position in this matter.

You must first realize that this is not a matter of a few weeks' but of years' duration.

In May, 1921, the Campbell-Sell Baking Co. started with flag coupons; the Macklem Baking Co. followed suit with coupons for pencils; the Old Homestead followed suit with candy and a cheap loaf; the Cozian Bakery followed suit with candy and cut prices and giving away bread.

The Kilpatrick Baking Co. tried to sell bread against this competition for 10 months without the use of any premiums, discount, or weight addition and found it a losing game. We then went into the coupon game and tried to make it so strong that the rest of the bakers would come to their senses. After nine months of this, the Macklem Baking Co. came to us and asked us what we thought of cutting out premiums. We agreed to do so if the other bakeries would agree, and finally all premiums were eliminated.

In the meantime several of the bakeries had been putting cut-price bread on the market. Two bakeries were discounting, and one was giving bread away regularly for over a year. By this we mean that if a grocer took 10 loaves he was given 10 loaves gratis.

We then decided that we would run a three-day campaign, and for that period gave an extra loaf with each loaf purchased, explaining to the grocer in each instance that the extra loaf was to be given and not sold to new customers. We did not solicit any new stops at all. This did not break any code of ethics or any agreement made by us with other bakeries. Other bakeries had been doing this for the past two years to get new stops.

Immediately after this the Cozian Baking Co. put candy in their bread, evidently as a revenge method. Practically all the other bakeries met with Cozian, and he agreed to cut out candy within 10 days. It was at this meeting that a code of ethics was drawn up and signed by only four bakeries, to our knowledge.

This code of ethics reads the same as submitted to you, except that the words "providing no other bakery violates this code" were inserted after the line "we agree to this code of ethics and will conduct our business accordingly." This addendum was proposed to us by the Campbell-Sell Baking Co. and agreed to by our firm.

We waited for over two months for the Cozian Baking Co. to remove candy from their bread, and when they did not do so we decided to put out an off brand (not our regular Daisy brand) and insert candy to meet this competition. This we have done after giving the other bakeries four days' notice of our intention.

The above is a statement of conditions here, to the best of our knowledge, and explains our stand.

Mr. Livingston, Chicago, wrote to C. B. Morison. American Bakers' Association, Chicago, August 30, 1923, as follows:

Your letter to the writer with reference to the Denver situation, together with the correspondence attached, was referred to the Kilpatrick Baking Co. It appears that Mr. Ettenson had already written to Mr. Stritzinger, as per the inclosed copy.

I might add that he personally wrote me a letter going into more intimate details, from which it would appear that he is entirely justified in pursuing the course he did for his self-protection. I know that Mr. Ettenson was very keen on striving for a condition in Denver such as we are endeavoring to maintain in Chicago, but with their limited market and the fact that his is a young concern he has found it difficult to bear the brunt of the fight alone, losing business and money.

Thereafter negotiations by the association followed more direct methods. Mr. Stritzinger wired Mr. Barnard, September 7, 1923, as follows:

Please have full files Denver controversy at French Lick.

Section 10. New England.

While the New England Bakers' Association, through its district associations, usually endeavored to settle those price wars in its own territory which were brought to its attention, it occasionally appealed to the national association. In the Springfield (Mass.) price war, 1924 (see pp. 185–190), George West, White River Junction, Vt., president of the New England Association, wrote to the American Bakers' Association (personal attention of Doctor Barnard), August 5, 1924, as follows:

We are up against a rather serious proposition here in New England at the present time. The General Baking Co., in the new plant that they bought at Springfield of the Dexter people, lost considerable business when they took the plant over. They lay this loss in a great measure to unfair competition from the other bakers in Springfield. This is in a way partly true, but the fact remains that the Bond bread did not go as strong in that territory. They have been unfair in the competition now, selling their bread and giving away as many as they sold to a customer. That is, if they sold 12 loaves of bread for $1.20 they give the customer 12 loaves, making 24 loaves for $1.20. Now, the other bakers who have played fair, and some of those who think they have, want to clear this up, and make a complaint to the Federal Trade Committee [Commission]. I am wondering if there is anything that the American Association could do to bring about harmony again in Springfield. I expect that there will be a meeting of the governors' board of the New England Association, and this question will be brought up of serving an injunction on the General Baking Co. But if the industrial relations committee can bring about an understanding it would be much better than the work of a long hearing and hard feelings. The trouble with our New England committee is that practically all of the members are interested in one side or the other and we can not get an unprejudiced meeting.

I would like to have you take this up with Raymond Stritzinger and write me whether you think the national association could do anything about it or not.

Thanking you for a prompt reply, I am,

Respectfully yours,

GEO. WEST.

Mr. Barnard replies to Mr. West, August 8, 1924, as follows:

Your letter of August 5 is going forward to-day to President Stritzinger, for you are quite right in believing that the American Bakers' Association is interested, through its trade and industrial relations committee, in handling such matters as that to which you refer.

Of course, after we have brought these matters to the attention of our committees, we can do little more in the way of correcting unsatisfactory conditions, for, unfortunately, trade associations have never yet developed a practical way of holding members in line with ethical codes. We have usually found, however, that when a meeting ground was established it was possible to remedy the unsatisfactory conditions.

I trust this will be the case this time.

Also Mr. Barnard to R. K. Stritzinger, August 8, 1924:

Here is a copy of a letter received this morning from George C. West, president of the New England Bakers' Association. Please note my reply.

This is a most interesting situation and one which I know Schillinger will not take much pleasure in handling. You were, however, successful in putting the Korn case up to him and I hope you will be equally as successful this time.

Mr. Stritzinger to Mr. Schillinger, chairman industrial relations committee, August 11, 1924:

It seems as if the trade and industrial relations committee is bound to run into embarrassing situations, especially since your connection with the General Baking Co. has been established. However, everybody that knows you knows that you are at your best when other people might be embarrassed.

I am inclosing for your attention a copy of a letter which has just reached my desk from Doctor Barnard's office and which was originally written by George West, president of the New England Bakers' Association. I know that you will get on the job immediately and I presume that your first contact will be through Al. Hathaway, who is a member of your committee.

With best wishes and looking forward to seeing you in Atlantic City, I am.

Mr. Schillinger stated to the commission's agent in an interview, March 24, 1926, that his files had no correspondence relating to this case and that he had no definite recollection as to what he did regarding the matter. He thought the West letter might have been forwarded to Senator Rabenold, counsel for the American Bakers' Association, who knew West personally, or to the general's New York office.[5]

Section 11. Bismarck, N. Dak.

The following correspondence relates to the shipment of bread by Minneapolis bakers to North Dakota points, express charges prepaid. North Dakota bakers shipping to the same points had not been prepaying these charges, but were compelled to do so by the Minneapolis competition, hence the complaint by a Bismarck (N. Dak.) baker. The correspondence is introduced here primarily because it develops the fact that North Dakota bakers in the vicinity of Bismarck had an agreement not to cut prices (see letter below, Mr. Hoffman to Mr. Barnard, March 6, 1925), but also because it presents a discussion of a species of competition alleged to be unfair.

The complaint is made by John A. Hoffman, Barker Baking & Candy Co., Bismarck, N. Dak., to E. O. Holen, sales manager of the Excelsior Baking Co., Minneapolis, February 26, 1925:

This is a personal letter addressed to you for the reason that we have met, and therefore I feel acquainted to a certain extent, and I want to ask that you do me the favor of getting the facts that I am going to present before your president, Mr. Lewis F. Bolser, whom I understand is also president of the American Bakers' Association.

While visiting many of the larger bakeries in the different cities the writer was always very favorably impressed when entering the main offices of most of these institutions, when observing the membership certificate and the code of ethics occupying a prominent place over the desk or on the wall of the above-mentioned association. So when a cry for members and funds went out by them we hastened to comply, although in a small way but nevertheless double the amount we were asked for, believing this code of ethics was the last word in the industry.

Will you please ask Mr. Bolser to request that the management of the Purity or Flour State Baking Co. and the Regan Bakery read articles 3 and 9 of the code of ethics adopted by the American Bakers' Association, of which they are members? Then ask them if absorbing a 4-cent per loaf express charge is living up to this code.

[5] As noted in connection with the Pittsburgh case (p. 118), the files of the chairman of the industrial relations committee relating to recent cases handled by him are incomplete and the chairman's recollection of these cases gone. For other similar cases see pp. 71, 102, and 127.

They charge dealers in Bismarck and surrounding territory 13½ cents per loaf (24 ounces) and prepay the carrying charge, which nets them 9½ cents per loaf. Can they do it and make a livable profit with flour at its present level?

If they need volume, why use us for a dumping ground? If it is unethical and unfair, can it be stopped? We know that they can not be driven, but maybe they have some sense of fair play and a suggestion would remedy.

We trust that both you and Mr. Bolser will accept this in the same spirit that it is written and assure you that any effort that you may put forth is appreciated by us and that we will gladly reciprocate at any time called upon.

Mr. Holen to the Barker Baking & Candy Co.:

FEBRUARY 28, 1925.

BARKER BAKING & CANDY CO.:
Bismarck, N. Dak.

GENTLEMEN: Have your letter of February 26. I am sorry that Mr. Bolser is not in the city at the present time to answer this letter, and I am taking the liberty of forwarding same to Doctor Barnard at Chicago, feeling sure that he can answer it and, I hope, be able to work out some arrangements with you.

Yours very truly,

EXCELSIOR BAKING CO. (INC.),
E. O. HOLEN, *Sales Manager.*

Copy to Doctor Barnard.

Mr. Hoffman's letter having been referred to H. E. Barnard, secretary-business manager, American Bakers' Association, Chicago, he replied March 4, 1925, as follows:

Mr. Holen, of the Excelsior Baking Co. (Inc.), of Minneapolis, has been so good as to send me your letter of the 26th ultimo, in which you lay before him the disadvantages to your business in North Dakota of the practice of bread shippers who enter markets far beyond their natural distribution area.

This practice of securing increased volume by broadening the distribution area is one which gives American Bakers' Association much concern. In my address before the Trade Promotion Conference last week I discussed this subject. You will find reference to it on page 41 of Baking Technology for February, a copy of which I think you have but which I take pleasure in forwarding you under separate cover.

While the subject is one which certainly concerns codes of ethics in so far as the trade practice referred to establishes unfair competition, the problem is a broader one even than that. In fact, it is an economic problem of international interest. It is simply the application of the laws which govern foreign commerce to smaller territories.

In the effort of manufacturers in Minneapolis to reduce production costs by shipping their goods into territories which they can not profitably enter they are following exactly the same sales methods American manufacturers of automobiles, sewing machines, and almost every other commodity follow. They are hoping by entering new territory to establish connections which will be ultimately profitable. In an effort to control these practices tariff walls have been built up around the countries of the world. A tariff wall is stretched between our country and Canada for the purpose of preventing the Canadian wheat grower from shipping his wheat to North Dakota mills in competition with the North Dakota farmer.

I have sat in many discussions indulged in by wholesale bakers and by shippers who operate in territories which can only be entered by express, and the conclusions always reached are that if the bread as finally marketed is not sold at a price below that obtaining at the point of distribution no unfair practice is set up. In other words, if a baker wishes to load the burden of express and distribution costs on the total volume of his business no injury can result either to the consumer or to local competitors. If the products are of superior quality they will undoubtedly command a market at the expense of home industries, but if price and quality are the same the local manufacturer and dealer certainly should be able to protect his business.

If, however, bread shipped out of Minneapolis is sold at Bismarck, N. Dak. at a lower price than it is sold in Minneapolis or at a lower price than bread manuactured in Bismarck, then a condition is set up which can not be justified under the code of ethics of American Bakers' Association or the laws governing in State commerce. Will you be so good as to advise me whether or not this is the case?

I shall be very glad upon hearing from you to discuss the matter with the Regan Baking Co., who are not only very good members of American Bakers' Association

but who have continuously throughout their long business career held a high reputation as fair competitors. The other companies to which you refer are not members of American Bakers' Association.

Thanking you, I am.

Mr. Barnard also writes L. F. Bolser, Excelsior Baking Co., Minneapolis, president of the American Bakers' Association, March 4, 1925, as follows:

In answering the letter you sent me from the Barker Baking & Candy Co., of Bismarck, N. Dak., I have taxed my mental resources to the utmost.

Frankly, I don't believe there is anybody anywhere outside of the local man who suffers who could prepare a brief which would hold water in support of the contention that a manufacturer should not seek his market wherever he thinks he can profitably do so if he makes the same price to all his customers, wherever they may be. To set up any other method of doing business would eliminate all wholesalers and would make every industry a neighborhood shop. It would build a wall around every community.

Of course it is hard for the man who has to stand the gaff, but unless he faces unfair competition, which means rebates and special prices, it seems to me that the man who is on the job can take care of himself in his own home town.

Mr. Bolser replied to Mr. Barnard, March 6, 1925:

I have your letter of March 4, inclosing copy of your letter to Mr. Hoffman.

I appreciate this letter very much, and I believe this is going to answer his question in the right way.

Mr. Hoffman replied to Mr. Barnard, March 6, 1925, as follows:

I thank you very much for your letter of March 4 in reply to mine addressed to Mr. Holen of Minneapolis, Minn.

The bread that is shipped into this territory by Minneapolis bakers is sold to the dealers at the same price that we charge, but affects us in the neighboring towns where we have thrived in the past, for the reason that it compels us to prepay the express charges, and no dealer ever expected it up here until the Minneapolis bakers offered it.

We have been forced to do the same thing in order to hold our trade, as the question is put squarely up to us, and we must do it or lose our trade.

The point that we are complaining on is not the fact that any great amount of Minneapolis bread is being sold in our territory, but these concerns have forced us to pay express charges to our trade when we were getting along without it, and it has not benefited them very much, but heaps a great expense on us.

The competing bakers in this portion of North Dakota are a well-organized bunch, and we agreed long ago not to cut prices or prepay charges, and have lived up to this agreement to the last man until the Purity Co. threw a monkey wrench in our machinery.

We say Purity because they are the ones that cover this section, but Regan and others have circularized the trade, making the same offers, but ship less than the Flour State Co. If they would withdraw their prepayment plan we could do the same and save ourselves a great deal of money. Our idea in writing and telling our troubles to others was simply believing that some one with influence could uncover an evil that is very damaging to the industry.

We again thank you for any efforts in our behalf and for the many good things accomplished by the American Bakers' Association.

Memorandum from Mr. Barnard to Mr Bolser and the latter's reply:

MARCH 10, 1925.

From Doctor Barnard.
To Mr. Bolser.

Please note the letter received from John A. Hoffman, of the Barker Baking & Candy Co.

The situation which Mr. Hoffman relates is not quite clear to me. I am wondering if with this letter, however, you can phone Regan and straighten out the matter, which seems to be less serious than when Hoffman first wrote Mr. Holen.

Isn't it fine to note such a statement as Hoffman's last paragraph?

MARCH 11, 1925.

From Mr. Bolser.
To Doctor Barnard.

I wonder if you think I am avoiding something that should have my attention by not heading into the situation in North Dakota. I have to work pretty close with the bakers in Minneapolis and St. Paul in connection with my own business and I don't like to mix up national association arguments in it; therefore I am wondering if we could not pass this on to Mr. Schillinger. What would be your suggestion?

Please do not mention the name of the Excelsior Baking Co. to Mr. Schillinger.

Mr. Barnard to Mr. Hoffman, March 17, 1925:

Will you pardon me for not earlier replying to your letter of March 6 which came to us at the time we were holding our wonderful meeting of the American Society of Bakery Engineers. This letter explains more clearly than your original letter to Mr. Holen just what the situation is in your territory with respect to shipments of bread out of Minneapolis.

The situation is exactly the same as that which has caused considerable concern among eastern shippers of cake. It so happens that Mr. L. A. Schillinger, chairman of our committee on trade and industrial relations has had much experience in just such situations as this, and I am therefore referring your letter to him, knowing that he will be interested in writing you, and as well in taking up the matter of which you complain with the Minneapolis shippers. Mr. Schillinger has been so successful in handling many cases which have been brought to him for adjustment that I am sure he can be of service to you in this instance.

Mr. Barnard to L. A. Schillinger, Gardner Bakeries (Inc.), Baltimore, chairman industrial relations committee, American Bakers' Association, March 17, 1925:

Here is another interesting situation, which I think is explained by the letter from Mr. Hoffman to me and by my reply to him.

In my earlier communication I was able to satisfy him as to the position of the association, as you will note by his last paragraph, but he still comes back to us with the suggestion that Regan Bros. should withdraw their prepayment plan.

I know you have had a lot of experience in delivering cake by express, and so are thoroughly advised as to the usual practice. Won't you, therefore, write Mr. Hoffman?

Your fine letter came in this morning. I am most grateful for your generous words and I shall take much pleasure in laying your communication before the management committee when it meets to-day.

Mr. Schillinger to Mr. Hoffman, April 14, 1925:

Doctor Barnard has referred to the writer certain correspondence between you gentlemen, dealing with prepaid freight and express charges, with the request that I throw some light on the subject from our experiences in the East.

To go into detail on this subject would fill volumes and after completed would probably not answer your query nor solve your problem, because you seemingly are not in search of information as to how other bakers are handling the situation, but are interested only in that foreign bakers are shipping into your territory freight and express prepaid, thus setting a precedent that becomes an evil, as the bakers of your section have never made this concession to the shipping trade. Therefore, as I see it, your difficulties are local and can be amicably adjusted only through intercourse one with another throughout the territory in question.

My several years' experience as chairman of the industrial relations committee has taught me that where we can confine our efforts to working out such plans as are beneficial to the baker and in no wise burdensome to the consumer same can be most satisfactorily done by appointing a selected committee of three men mostly affected by the practice that we can not exactly call unethical, even though disturbing to the group of men who have set up certain standards of business practices which have been temporarily upset by some unthinking bakers in their desire to obtain more business at an unnecessary expense.

So, may I not suggest that your bakers' organization functioning in the territory referred to in your letter be requested to appoint such a committee and have it wait on the Minneapolis bakers who are disturbing your peace of mind by unbusinesslike methods that can undoubtedly be wiped out, bringing about harmony to all interested parties.

The above suggestion means time and patience, but as they are the price for all things harmonious the latter can not be bought for less, and I offer the further suggestion that you inject yourself into this work and from it gain much satisfaction, in that you have been of real service to your fellow baker, the reflection of which will give you much pleasure.

Hoping to hear from you at some future date that the plan has worked and your problem been solved, believe me, with kind regards and best wishes.

Section 12. Louisville.

Until the latter part of 1924 the bakers in Louisville were experiencing considerable difficulty with the practice of giving discounts, coupons, and premiums. At this time there were two associations of bakers in Kentucky—the Kentucky Master Bakers' Association and the Master Bakers' Association of Louisville. These associations, however, were not effective in the elimination of these practices.

The Kentucky Master Bakers' Association.—This association consists of about 50 members, bakers and associates. Annual conventions are held, usually in September or October, and in 1925 there was a midwinter convention. The firms attending the annual convention were assessed $10 for the first representative present and $5 for each additional representative. There are no other contributions to the support of the organization.

The present secretary, Marvin J. Evans, is an associate member, being engaged in the sale of flour. His commercial travel enables him to visit the membership more frequently than could a baker member appointed secretary.

The Master Bakers' Association of Louisville.—This association was organized about 1910 "to promote friendly intercourse among its members and to protect them in all matters pertaining to their business interests." Membership is composed of master bakers and supply houses as associate members. On January 16, 1926, there were 48 members and 13 associate members. The association is supported by dues of 50 cents per month from each regular and associate member and an initiation fee of $5 for each new member.

Meetings are held monthly but the minutes are written in such abbreviated form that they do not disclose the details of what takes place at the meetings. Among the discussions and activities thus briefly mentioned are the following: Inspection of bakeries, disposition of surplus equipment, standard weight law, return of stale goods, taking workers from other shops, code of ethics, cooperation with health department.

A committee was appointed at the meeting in January, 1926, to formulate a code of ethics. Copies of codes of the American Bakers' Association and other associations were submitted by John M. Hartley, secretary, the Associated Bakers of America.

Falls City (Louisville) Bakers' Club.—Mr. Russell of the American Bakers' Association, attended the annual meeting of the Kentucky association in October, 1924. The following is an excerpt from the minutes of the meeting of the management committee of the former association, Chicago, October 21–22, 1924:

I. K. Russell.

* * * * * * *

On October 7 he attended the annual convention of the Kentucky State Bakers' Association at Middleboro, Ky. Mr. Russell's traveling expenses were paid by the Kentucky association. The day following the convention he addressed the Middleboro Kiwanis Club, and the day following the Kiwanis Club at Knoxville, Tenn. While in Knoxville he met Charles Roberts, an active member of the Southern Bakers' Association.

On October 10 Mr. Russell was instrumental in bringing together a group of Louisville bakers. He found that for years a serious condition involving price cutting, premium giving, and rebates had been retarding the progress of the industry.

On October 11 he arranged a luncheon which was attended by representatives of the Tip Top Baking Co., Whiteside Bakery, Warisse Baking Co., United Baking Co., and the Grocers Baking Co. At this luncheon the Louisville Bakers' Club was organized, with Mr. Clayton Moore as president and Richard Wahl as secretary. Mr. Russell is hopeful that by the organization of this club it may be possible to promote a better feeling of harmony and cooperation between the Louisville bakers.

Regarding the results of Mr. Russell's activities, John H. Stehlin, then president of the Kentucky association, wrote to L. F. Bolser, president of American Bakers' Association, on November 11, 1924, as follows:

In reply to your comments regarding the visit of Mr. Russell, want you to know that we appreciate the assistance that he gave in helping to line up the Louisville wholesale bakers to the point where they would agree to hold weekly meetings. At the first meeting, which was held and which Mr. Russell attended, it looked as though everything was all set for the local bakers to discontinue premiums; however, developments have come up that have caused a change in these plans, and up to the present time nothing definite has been accomplished in eliminating premiums. Unfortunately this condition was brought about because the full cooperation of one of the local wholesale bakers could not be secured.

Am glad to add, however, that things now point to a favorable agreement upon this particular matter very shortly.

Mr. Bolser replied to this letter on November 14, 1924, expressing the American Bakers' Association's desire to see the "good work" continue and offering the association's services to this end. The letter follows:

Thanks for your nice letter of November 11.

I think we, as bakers, have been very familiar with the unfortunate situation of your local territory and we all felt very happy in Chicago in hoping that Mr. Russell's visit has possibly brought around a change that was going to be to everyone's benefit.

I am sorry to hear that things have not progressed possibly as rapidly as you would wish. If you think it would be wise to have Doctor Barnard come down to one of your meetings, I think this can be arranged. We don't like to see the good work stop that has been started.

If we can be of service, won't you call on us.

Yours very truly.

AMERICAN BAKERS' ASSOCIATION,
——— ———
President.

Clayton Moore, then secretary of the Kentucky association, shortly after Mr. Russell's visit organized the Falls City Bakers' Club, and Mr. Moore states that it was Mr. Russell who "put the bee in my bonnet."

The club, which is composed of five of the largest Louisville bakeries and two Indiana concerns, meets at a weekly luncheon, thus continuing the weekly meeting referred to in Mr. Stehlin's letter quoted above. The first attempts of the bakers to overcome their grievances were unsuccessful but in December, 1924, the large bakers established a wholesale price of 8 cents for a 24-ounce loaf, and this price was still in effect in February, 1926.

The one wholesale bakery whose full cooperation could not be secured (see Mr. Stehlin's letter above) may have been the Whiteside

Bakery. In any event, a change in the management of this bakery brought about a new state of competition described by H. E. Barnard, secretary-business manager of the American Bakers' Association, in the following excerpt from a letter to E. R. Jones, business manager, Rocky Mountain Bakers' Association, Denver, Colo., under date of May 5, 1925:

Doctor Morison from the institute spent last week in Louisville and visited the bakers there. Until a year ago the situation among the Louisville bakers was even worse than it is now in Denver. For years they were fighting and cutting each others throats with premiums and discounts, but finally through the advent of a new man in the Louisville baking field, Richard Wahl, who went down there from Minneapolis to take charge of the Whiteside bakery, it was possible to bring them together, and now 8 or 10 of the larger bakers are lunching together every week and all the old sore spots are healed. I do hope similar good results will follow your efforts at Denver.

Mr. Moore stated to the commission's agent that there is no competition among the members of the club on the basis of price, and that all complaints of giving discounts or of any practices considered by the bakers as unfair are adjusted by personal contact of members.

The membership of the club in February, 1926, consisted of the following wholesale bakeries:

Grocer's Baking Co., Louisville, Ky.
Whiteside Bakery Co., Louisville Ky.
Tip Top Baking Co., Louisville, Ky.
Nick Warrisse Baking Co., Louisville, Ky.
United Baking Co., Louisville, Ky.
Model Bakery, New Albany, Ind.
Jeffersonville Baking Co., Jeffersonville, Ind.

The first three named concerns are members of the Louisville Bakers' Association. The fourth, the Nick Warrisse Baking Co., was suspended from this organization with the notation in the secretary's records, "for nonpayment of dues." The other three apparently never joined the association.

Section 13. Pittsburgh.

The local bakers at Pittsburgh made an attempt to increase prices by concerted action the close of 1924 and early 1925. Several meetings were held for this purpose in December, 1924, by the "Hub" or "Inner Circle," composed of some 10 or 12 of the old Pittsburgh Bakers' Club. The movement in this direction was on in November, 1924, when S. S. Watters, Liberty Baking Co., Pittsburgh, member of the board of governors, American Bakers' Association, and president of the Quality Bakers of America, at a meeting of the latter association in New York City appointed a committee to wait on W. B. Ward, of the Ward Baking Co., in the interest of higher bread prices at Pittsburgh. The committee received no great encouragement. It was the uncertainty as to what the large outside bakers, particularly Ward's, would do in the event that the local Pittsburgh bakers raised their prices, that was the occasion in part for these meetings.

This series of meetings culminated in that of January 5, 1925, when 11 bakers met and sent one of their number, Horace W. Crider, Homestead Baking Co., Homestead, Pa., president of the Western Bakers' Association, to New York City, to interview Mr. Ward and representatives of the National Biscuit Co. and the General Baking Co. The two latter companies, Mr. Watters stated, "agreed that he [Mr. Crider] could represent them," but Ward, for reasons stated in the correspondence below, or for other reasons, refused cooperation.

The following letter by Mr. Watters to Mr. Barnard, secretary-business manager of the American Bakers' Association, outlines the situation:

JANUARY 24, 1925.

H. E. BARNARD,
Secretary, American Bakers' Association,
1135 Fullerton Avenue, Chicago, Ill.

DEAR DOCTOR BARNARD: Competitive conditions in the industry, especially as regards the attitude of W. B. Ward on price, is creating considerable unrest all over the country, and individual bakers and groups of bakers are asking what steps are the American Bakers' Association taking to bring about relief.

Last November, when in New York as president of the Quality Bakers of America, I appointed a committee to call upon Mr. Ward and Mr. Deininger to ascertain what attitude they would take in the event that a Quality Bakers of America baker who operated in the same city as they would voluntarily raise prices. Ward stated that conditions did not justify a raise, as he did not consider the wheat market would hold, and anyway the bakers had made so much money the last few years they all could stand a loss for a time. He suggested waiting until after January 1, 1925. Mr. Deininger said, "The General Baking Co. will not stand in the way of getting a just price for bread and would be glad to cooperate with us at all times."

The local bakers met here January 5 to the number of 12, and sent Mr. Crider to New York to see Mr. Ward. Incidentally he called on the National Biscuit Co. and the General Baking Co. and they both agreed that he could represent them also. The same story, only he (Ward) practically admitted they were being investigated and could not afford to show a profit at this time, or else they may be restrained. The inference being, by concentrating management, economies could be effected, thereby justifying their position to effect cheaper bread for the masses through volume production, volume buying, etc.

Their salesmen are on the street here telling the merchants that by the end of this year they would have all the independent bakers of Pittsburgh run out of business. It is alleged that George Smith in a salesmen's meeting, Ward plant, last week stated by the end of the year they expected to have 75 per cent of the bread business of Pittsburgh, the other 25 per cent would be supplied by the chain stores. In an attempt to bring this about they started Monday to pack that $0.05 coupon. Many merchants extracted the coupon themselves, posting their windows, "Ward's Fine Bread, $0.05"—some $0.06 and some $0.07. They stuffed the stores and merchants extracted coupons from bread returned to their salesmen and paid for bread sold with these coupons. Added to this, there is business hereabouts they have taken on a 7½ per cent discount, in spite of the fact that the old company is on record against this practice, and it does not exist to any noticeable degree in Pittsburgh. We do not have a single discount customer. For several months intermittently they have given 10 loaves free with the purchase of 10.

Would it not be in order for the executive committee to take notice of these unfair trade practices and report the case to the Federal Trade Commission or Secretary Hoover? On second thought, now that Ray Stritzinger, Livingston, Taggart, and Marshall are on this committee, I guess little can be done. I remember your saying whenever they take over a bakery, the association gets support, and that you did not fear their attitude but asked me to recall the benefit derived in the steel industry through the formation of the United States Steel Co.

If their attitutde was anything like this organization there would be nothing to fear, but they will have to show the few remaining representative bakers of America, who do not choose to be stampeded into selling, that they are progressive. Their methods to-day are anything but constructive.

The suggestion that I write you has come from several representative bakers of this community who are supporting members of our association, appealing to me as a member of the board of governors.

Let me have the benefit of your views.

Yours very truly,

S. S. WATTERS.

Mr. Barnard to Mr. Bolser, president of the American Bakers' Association:

JANUARY 26, 1925.

Mr. L. F. BOLSER,
Excelsior Baking Co., Minneapolis, Minn.

DEAR LEWIS: Here is a copy of letter received this morning from Sam Watters which gives me considerable unrest, for it is quite in line with what Mr. Stritzinger said might develop. He knows Watters so well that he apparently anticipates his reactions.

I shall not answer Watters's letter until I hear from you.

Yours very sincerely,

H E. BARNARD,
Secretary and Business Manager.

Mr. Barnard to L. A. Schillinger, chairman industrial relations committee, American Bakers' Association:

JANUARY 27, 1925.

Mr. L. A. SCHILLINGER,
Gardner Bakeries, (Inc.), Baltimore, Md.

MY DEAR MR. SCHILLINGER: I inclose a copy of letter received this morning from S. S. Watters, of the Liberty Baking Co., Pittsburgh. The letter needs no explanation. Mr. Watters in writing it is undoubtedly acting on behalf of other Pittsburgh bakers. I inclose a copy of the letter I have written him in which I have endeavored to say as little as possible and yet make it clear to him that it will be fatal for the association as an association to mix into any controversy over bread prices.

It is fortunate that your committee is composed as it is, and I am sure you will be able to satisfy him and his friends that the association is not being dominated by any group of men and that, in so far as it legally and ethically can, it is working for every member.

Yours very sincerely,

———— ————,
Secretary and Business Manager.

Mr. Barnard to Mr. Watters:

JANUARY 27, 1925.

Mr. S. S. WATTERS,
Liberty Baking Co., 6008–22 Houston Street, Pittsburgh, Pa.

MY DEAR MR. WATTERS: We have been hoping that this extraordinary wheat market, with its inevitable effect on flour prices, would do more than Federal Trade Commissions or codes of ethics could hope to do in stabilizing bread prices. With another such market as that of yesterday the baking industry is bound to take cognizance of the fact that the price of bread is still to a very considerable degree determined by the cost of raw materials.

The whole subject of ethical practices concerns every trade and industrial organization. It has given the Secretary of Commerce much concern. Mr. Hoover constantly refers to it. The Federal Trade Commission is also interested in every practice which is in violation of either law or sound business ethics.

The difficulty of any individual within the industry determining what is good business practice led, of course, to the organization of our committee on trade and industrial relations, and so I have sent your letter to Mr. Schillinger, the chairman of the committee, knowing that the subject you have brought up is one of very real concern to the industry and one which can be very properly considered by his committee.

For your information, the committee is composed of the following governors: L. A. Schillinger, *chairman*; Richard Meyer; Henry Stude; Alton H. Hathaway; L. C. Mitchell; W. P. Walsh; W. P. Matthaei.

Mr. Russell is now in Evansville, Ind., and I asked him while there to have a talk with Mr. Walsh who, while a new member of the board of governors, is an old association man.

I shall be glad to have you write Mr. Schillinger personally, for the question you raise, while it may not officially come frequently to my attention, is sure to be discussed whenever bakers get together, and naturally I am very much concerned in establishing the complete independence of American Bakers' Association from the domination or control of any individual member or group of members. The saving grace in the situation is, as we see it here, the fact that American Bakers' Association can not legally attempt or properly undertake as an association function to regulate bread prices, nor can it under the constitution as amended enforce a code of ethics. It can only hold up the code as a desirable business practice.

At a recent meeting of trade executives, which brings together here in Chicago once a month more than 100 secretaries of national associations, a lot of time was given to a discussion of just such matters as that to which you refer. It was the unanimous opinion of every secretary there that for any national association to use coercive methods in controlling the actions of individual members would be sure to wreck the association, even if it did not involve it in serious conflict with the laws.

I trust the situation which is now distressing you will not be long continued.

Yours very sincerely,

———— ————,
Secretary and Business Manager.

C. C. L. A. SCHILLINGER.

Mr. Bolser to Mr. Barnard:

JANUARY 28, 1925.

AMERICAN BAKERS' ASSOCIATION,
1135 Fullerton Avenue, Chicago, Ill.

(Attention Mr. H. E. Barnard).

GENTLEMEN: I have your letter of January 26, inclosing copy of one received by you from Sam Watters.

I think we both possibly anticipated this letter from remarks made by Mr. Stritzinger last week.

As long as this letter is addressed to you, I think it is best that I keep out of the picture, at least for the present. Reply to him in your own way and then if the argument gets pretty strong it is always possible for me to come in later on.

Yours very truly,

AMERICAN BAKERS' ASSOCIATION,
LEWIS F. BOLSER, *President.*

Mr. Watters to L. A. Schillinger:

FEBRUARY 2, 1925.

Mr. L. A. SCHILLINGER,
Care of *Gardner's Bakery, Baltimore, Md.*

DEAR LOU: Doctor Barnard writes me that he forwarded a copy of a letter I recently wrote the Chicago office, to you as chairman of the committee of trade and industrial relations. I fully realize that there is little that we can do as an organization toward relieving or bringing any pressure on our membership other than the moral effect.

I hesitated in writing this letter but did so finally in an attempt to mollify some of our local bakers who are supporting the national association and who seem to have the idea that they can afford relief.

Doctor Barnard wrote me a very conclusive letter that I am glad to have in order that the national's position can be more clearly defined in the minds of our local constituency. It does seem rather strange that a large company can afford to pay such exorbitant prices for plants as they are reputed to be doing and at the same time market bread at the price at present existing and hope to reflect a legitimate profit under ordinary circumstances.

I am hoping that everything is well with you and will be glad to have the benefit of your ideas on the matter.

Awaiting your early attention, we remain,

Yours very truly,

LIBERTY BAKING COMPANY,
S. S. WATTERS, *President.*

Mr. Watters to Mr. Barnard:

FEBRUARY 2, 1925.

Dr. H. E. BARNARD,
Secretary American Bakers Association,
1135 Fullerton Avenue, Chicago, Ill.

DEAR DOCTOR BARNARD: I wish to acknowledge receipt of your letter of January 27 and have noted your remarks in reference to the trade conditions in this territory. I fully realize your position and was glad to have your letter, as it will do a great deal of good among our members here.

As advised you in my communication, my letter was inspired by the requests of several of our plants hereabouts, particularly Mr. Braun of the Braun Bros. I have written Mr. Schillinger as you suggested and will await his reply with interest.

We are glad to report that the coupons were discontinued as far as we are able to determine, last Thursday, although it has been rumored that their Baur plant will start something now. It seems rather strange that they continue to refuse to advance their prices, especially in view of the fact that on all sides we are reading in the papers references to the possibility of a raise in the price of bread. Last Saturday, one of our prominent Pittsburgh papers carried an article in regard to this. The Ward people are occupying a rather peculiar position at the present time in the eyes of the public with their coupons and other tactics when the public knows that they should be paying more for their bread, and are asking questions.

This will be your authority for registering our Mr. L. P. Schmitt for attendance at the trade-promotion conference at Chicago Monday and Tuesday, February 16 and 17. Will you be kind enough to make reservations of a room and bath at a convenient hotel where the majority will stop.

Awaiting your further attention, we remain,

Yours very truly,

LIBERTY BAKING COMPANY,
S. S. WATTERS, *President.*

Mr. Barnard to Mr. Watters:

FEBRUARY 5, 1925.

Mr. S. S. WATTERS,
President, Liberty Baking Company,
6008 Houston Street, Pittsburgh, Pa.

DEAR MR. WATTERS: I am glad to have your letter of February 2, which I am sending forward to Mr. Bolser, who I know will be equally delighted with the clearing up of the Pittsburgh situation.

The trouble which started in Chicago lasted only a few days and is now simmering down. We shall be in this position of doubt and unrest, coupled with a little fear, just so long as these consolidations and organizations are under way.

I am sure, however, that anyone who makes a critical study of the economic aspects of the whole situation will reach the conclusion that no permanent disaster is going to overtake the baking industry or any portion of it.

Have you followed Hoover's analyses of the situation? Read his address, which we printed under the caption "Each man and his neighbor" in the June issue of Baking Technology last year.

We have asked Mr. Dodd in charge of the distribution department of the United States Chamber of Commerce to attend our trade promotion conference. I am especially interested in having him here because it will be possible for us to put up to him this whole situation which is confronting us.

I am very glad your Mr. Schmitt is to be here. I wish it were possible for you to come. We will take care of Mr. Schmitt's registration and look forward to meeting him with much pleasure.

Yours very truly,

H. E. BARNARD,
Secretary and Business Manager.

Mr. Schillinger to Mr. Watters:

BALTIMORE, *February, 14, 1925.*

Mr. S. S. WATTERS,
President, Liberty Baking Company,
6008 Houston Street, Pittsburgh, Pa.

MY DEAR SAM: Please pardon the delay in replying to your letter of February 2, due to my having been quite busy in arranging and helping carry through the program of the midwinter meeting of Potomac States Bakers' Association, following which I was out of the city for several days.

Your letter to Doctor Barnard was certainly a humdinger and I hope there are no copies on file that may get into hands working against the baker and the industry—suggest that if there are any such copies, they be destroyed, just as is being done with mine long before this letter reaches you.

I know just how you feel, old fellow, and realize that your near-by friends of the industry have prodded you to distraction in their efforts to have you take action in their behalf, and though you have my deepest sympathy, likewise my highest regard for the display of your loyalty, warn you as a friend against putting into writing over your signature any such thoughts in the future.

In my job as chairman of the industrial relations committee I have had to deal with many cases of unethical business among our members, but I have always been most cautious in my writings, and certainly wouldn't want to see you embarrassed any more than myself and my organization.

Doctor Barnard's letter to you is a classic and his advice is the result of long experience in dealing with bakers and their problems, so there is nothing I could add to improve it one iota, except, maybe, to say that, since your writing, couponing has been discontinued and the big fly that was so disturbing an element is out of the ointment.

You will agree with me that the last two double-page bold-face type editorials appearing in Bakers Weekly are certainly expressive of the thoughts of the sane-thinking men of the industry, and if read and analyzed by every baker, can not help but bring about harmonious conditions, if they "keep cool."

Men of your ability and experience can do much to calm the excitement of the smaller bakers in your territory when there are flashes in the pan, and though you are in the minority, just like all other leaders, you must have faith in your ability to hold these fellows in check, knowing that the time is of only short duration until these costly, unethical moves will be killed.

Trusting that conditions in your territory are improved since your writing me and assuring you that if I can be of any further service to you and my friends of the Pittsburgh territory, it will be my pleasure to respond,

Believe me, with warm personal regards and best wishes,

Cordially yours,

GARDNER BAKERIES (INC.),
———— ————, *President.*

Copies to Mr. F. H. Frazier and Dr. H. E. Barnard.

The representative of the local bakers of Pittsburgh who was sent by them to New York City to see W. B. Ward was interviewed by the commission's agent. His comment to the agent was in substance as follows:

The local bakers of Pittsburgh felt that they had to get a better price or reduce the size of their product and this usually means new pans and they cost money, so he decided he would go to New York and see what he could do. When he arrived in New York City he called upon the National Biscuit Co. and explained his mission, both Mr. Bixler and Mr. R. E. Tomlinson were in a receptive mood and he found they could be depended upon for 100 per cent cooperation. He then called at the General Baking Co. and had a pleasant visit with Mr. Frazier and Mr. Deininger. He was also assured of 100 per cent cooperation and it was suggested that he try to get an increase for Ohio at the same time as the bakers of Ohio were even up against it more so than Pittsburgh as they had the standard weight law to contend with. Mr. Deininger led him to believe he wouldn't have any trouble with Ward as they [Ward] did not have any supply of flour booked up and they would probably look with favor upon an increase in price.

Mr. Ward listened very attentively and went on to say he was very sorry he could not see his way clear to increase the price of bread, especially as he was bearish on the wheat market and he thought they would see wheat lower, consequently flour would be cheaper and that he wasn't concerned so much about price as they had enough flour to last through March.

Moreover, he [Ward] did not see how he could raise the price so soon after the forming of the Continental, as he would in all probability have the Government on his heels, and furthermore, what he was after was volume, as he needed volume to sell his stock and that he was more concerned at that time with selling stock than he was about baking. He was "banking," not "baking." When Mr. Ward said he was after volume he [the representative of the local bakers of Pittsburgh] knew if the local bakers increased the price of their product that they would be playing into Ward's hands thus giving him an opportunity to get all the volume he wanted in the Pittsburgh territory.

He [representative of the local bakers of Pittsburgh] returned and told the boys what happened and that they would have to get along the best they could. The local bakers of Pittsburgh were anxious to continue the 1½-pound

unit that they were then marketing but that has disappeared and they are now scaling about 22 or 23 ounces, giving a baked loaf of 18½ or 19 ounces. They are not required to mark on their wrapper the weight of the loaf, and a baker is continually watching a competitor as to what size loaf they are producing. This is done through purchasing every so often a loaf of each competitor's product in the open market.

That the political consideration suggested by Mr. Ward may have been the important reason for his refusal to cooperate with Pittsburgh bakers is borne out by a statement of J. W. Hines, Chicago manager for the Ward Baking Co. to the close of 1924, to Mr. Barnard. In a letter by Mr. Barnard to Mr. Bolser, Minneapolis, president of the American Bakers' Association, February 6, 1925, Mr. Barnard says:

He [Hines] developed an entirely new idea which I think is absurd and yet which has to be considered, namely, that the whole matter of price in so far as it affects big companies, is premised on some promises made to Washington to the effect that there would be no price increases. There is just enough truth in the psychology of the situation to justify such a story being passed around. It is obvious that if there are no price increases except at the hands of the independents, there can be no public criticism of the consolidations. As opposed to this altruistic public service the fact must be remembered that the conduct of business depends upon profits, that the new flour market will not be developed before August or September or perhaps even later than that, and that there are a good many months between now and then during which business can not continually show red ink and at the same time produce dividends.

Owing to the inability of Pittsburgh local bakers to persuade Ward's to go along, the price per loaf was not advanced as planned and conditionally agreed to by the local bakers, but as noted in the comment above of the representative they sent to New York City, the price per pound of bread has been advanced by reducing the size of the loaf while maintaining its price.

Attention is called to the second paragraph of Mr. Schillinger's letter of February 14 to Mr. Watters. Neither Mr. Schillinger nor Mr. Watters was able to find copies of Mr. Watters's letter of January 24 in their files. In the destruction of correspondence relating to cases handled by the chairman of the industrial relations committee and in his cautious writing (see pars. 2 and 4 of letter Feb. 14, 1925, quoted above) appears to lie the clue to the relative paucity of correspondence found in his files concerning the recent "unethical" practices among bakers, cases of which handled by him, he admits, have been many.[6]

Section 14. The Twin Cities.

In Minneapolis and St. Paul wholesale prices of bread went up 1 cent on the pound loaf February 9, 1925, with proportionate increases on other sizes of loaf and other bakery products. The wholesale price of the wrapped pound loaf advanced from 8 to 9 cents. Prior to this date, during December, 1924, and January and February, 1925, there were several meetings of bakers held for the purpose of discussing prices and a price raise. The fact of the meetings and their purpose were admitted to the commission's agent by numerous bakers who attended. The final meeting held early in February at

[6] In an interview with the commission's agent, March 24, 1926, the chairman of the industrial relations committee stated that he would be glad to supply the commission with any information that he could and would do his best to locate letters called for but that in all likelihood most of them had been destroyed as indicated by his letter of February 14, 1925, to Mr. S. S. Watters. For other cases on which the chairman's files were found incomplete and his memory faulty see pp. 71, 102, 106, and 127.

the Athletic Club in Minneapolis was attended by a score or more of bakers and a tentative agreement was reached to raise prices not only on bread but on all bakery products, effective February 9, 1925. Certain of the wholesale bakers, however, including Purity Baking Co., Regan Bros., and Occident, were not represented at this meeting, and a committee of four bakers waited on the Purity, which is admittedly the dominant factor in the Twin Cities baking industry, urging an increase in prices. As noted above, the advance was made by all the larger and most of the smaller wholesale bakers February 9, 1925.

That the American Bakers' Association was preparing the way for the bakers for this advance in bread prices, not only in the Twin Cities but elsewhere throughout the country is apparent from the following correspondence between H. E. Barnard, secretary-business manager of the association, and L. F. Bolser, Excelsior Baking Co., Minneapolis, at that time president of the association:

JANUARY 31, 1925.

Memo.
From: Doctor Barnard.
To: Mr. Bolser.

Frank Ridgeway, agricultural editor of the Chicago Tribune, spent more than an hour with us yesterday afternoon. We gave him a story of bread prices which made the first page of all the early editions of the Tribune this morning. Later editions are carrying it on the fourth page. I wish you would read it carefully and tell me what your reaction is.

I don't know that the larger bakers will increase the price of bread. If they do, they will certainly be justified in their action, but even if they don't the independents and small bakers can refer to our published statement that an increased price of from 1 to 2 cents a pound is justified.

Enc.

FEBRUARY 5, 1925.

From: Mr. Bolser.
To: Doctor Barnard.

That was a dandy article in the Chicago Tribune. It is very much in order at this time and I believe will help encourage bakers over the country to advance their prices on bread, which they should do and must do if they expect to stay in business.

Our company is to-day advancing the price of toast all over the United States. December 1 we advanced the price of dog biscuit, and unless my plans miscarry, we are going to advance the price of bread next Monday morning [Feb. 9, 1925] 1 cent per loaf.

I am speaking only of my own company.

From the foregoing it is evident that this interview was given to justify bakers in an increase in the price of bread and that it was believed it would encourage bakers not only in Chicago but all over the country to advance prices. The following from a memorandum by Mr. Barnard to Mr. Bolser, February 5, 1925, shows that the interview had been given country-wide publication:

The more I study the situation as it exists throughout the country, both in respect to price and sales policies, the more I am convinced that the strongest position for the association to take is the one we have thus far assumed, namely, that it is not our business as an association to discuss price or individual sales policies as they relate to individual action on account of memberships.

But when it comes to discussing price as it affects industry generally, we are justified in taking the position that I did in an interview I gave the Tribune last week and which has gone all over the country.

The following is the article which appeared in the Chicago Daily Tribune, Saturday, January 31, 1925, and which in the form of a clipping was inclosed with Mr. Barnard's memorandum quoted above:

EXPERT PREDICTS BOOST IN BREAD PRICE HERE SOON

THINKS 1 TO 2 CENTS MORE IS JUSTIFIED

While wheat prices held firm at slightly more than $2 a bushel yesterday in Chicago and other world markets, the public attention turned to prospective advances in the cost of bread. There has been an advance of $3 a barrel in the price of flour. That, bakers say, means an added 1 cent in the cost of a pound loaf of bread.

From other cities there is reported a similar advancing tendency. Detroit bread will go up a cent a loaf. San Francisco already has raised prices that amount; 2 cents a loaf is to be added in Portland, Oreg. Even from London and Paris came reports that the cost of bread is rising.

OUTLOOK IS FOR A RAISE

This outlook for bread eaters—who in cities are more directly interested in this product of wheat or rye than in wheat itself—was emphasized yesterday by Dr. H. E. Barnard, director of the American Institute of Baking. He prophesied that 1 or 2 cents would probably be added to the cost of a loaf here. Bread now retails at 7, 8, and 10 cents a pound loaf, according to quality and the district in which the consumer buys.

"It would seem that bread prices would advance soon not only with the small baker, whose low-priced flours are long since exhausted, but with the larger manufacturer, whose cheaper-flour purchases are also gone," Doctor Barnard said.

WHAT FIGURES SHOW

Doctor Barnard points out that from a barrel of flour ,weighing 196 pounds, a baker, using the Government's standard formula, makes 286 loaves of bread. When the flour costs $8 a barrel, the flour cost of the loaf is 2.8 cents; when flour is $11 a barrel, the flour cost is 3.8 cents. Roughly speaking, an advance of $3 a barrel in the cost of flour adds 1 cent a pound to the cost of bread.

Despite the threatened boost in price, the baking institute claims that the price of bread is no longer determined by the cost of the flour in the loaf but by the sum of all the things that go to make up the costs, including sugar, salt, yeast, shortening, malt, powdered whole milk, and yeast food.

OTHER COSTS ADDED

Before it gets to the consumer various other costs are added, such as the sanitary wrapper, transportation, and the grocer's profit. They only use about two-thirds of a pound of flour in each pound loaf of bread, and a fluctuating market is not immediately felt.

It is claimed that the baker who lives up to the Government's standards required in most sections is satisfied with a profit of 0.4 of 1 cent a pound on bread. Authorities say that the baker's profit is not more than 1 cent a loaf, providing he makes his bread according to Government standards.

Mr. Bolser's memorandum to Mr. Barnard quoted above in which he announces a price increase for Monday, February 9, was written February 5. On the evening of February 5 the following article appeared in the Minneapolis Evening Tribune and the Minneapolis Journal:

BREAD PRICE TO BE RAISED CENT

ADVANCE, EFFECTIVE MONDAY, DUE MAINLY TO INCREASE IN FLOUR COSTS

An advance of 1 cent a pound in the wholesale price of bread, effective Monday, which will bring about a corresponding increase in the retail price, was announced Thursday by Minneapolis bakers.

Simultaneously with the advance in bread prices there will be increases in the price of rolls and doughnuts, the bakers announced.

High prices of flour and other ingredients was given as the reason for the advances.

"The price of flour has gone up by leaps and bounds, and with the present price, as compared with that of a few months ago, the increase of 1 cent a pound in bread is insufficient," declared M. L. Nolan, head of the Purity Bread Co. "Flour sold for $6 a barrel a few months ago; to-day we must pay $10.30 a barrel. Lard and other ingredients have also gone up."

The Purity Co. announced that the wholesale price of rolls and doughnuts is to be advanced 5 cents. The Occident Co., another large manufacturer of rolls and doughnuts, announced that there would be no advance in the wholesale price of doughnuts, but that there would be a 3-cent advance a dozen in the price of rolls.

It should be noted that the wording of this article was exactly the same in the two papers, both evening issues. No notice, either as news or advertising, had appeared previously and none appeared subsequently. It is apparent, therefore, that the announcement was written and furnished the papers by the same party or parties. As it reads, it includes more than one baker, and two large bakers are mentioned by name.

While it is true that the smaller bakers will often follow the lead of the dominant baker or bakers in a change of price through circular announcement, no copy of such announcement could be found dated earlier than February 6, 1925, yet it is clear by the foregoing that at least three bakers, the Excelsior Baking Co., the Purity Baking Co., and the Occident Baking Co., contemplated on February 5 a price raise for February 9. An official of the Purity stated it as his belief that the company sent out a circular in January announcing a price raise for February, but he was unable to find a copy in the files. Such an announcement does not seem probable, however, since meetings for an increase in prices were still being held early in February and some small bakers were found who knew nothing of the Purity increase until they saw the announcement in the papers, February 5.

On February 6, 1925, the Purity Baking Co. sent out to its customers on its regular letterhead the following announcement:

DEAR CUSTOMER: The present high cost of flour and other ingredients compels us to announce a price increase, effective Monday, February 9. Flour bought to-day costs us over 33⅓ per cent more than last August, so this increase of 1 cent a pound loaf is more than justifiable at this time.

During the last three months fortunate purchases enabled us to benefit the consumer, but we are now paying much higher prices.

New prices are as follows:

		Cents			Cents
Purity, special wrapped	1 pound	0.09	Hotel, cream, unwrapped	1½ pound	0.13½
Graham, wrapped	do	.09	Enright's whole wheat	do	.13½
Rye, plain, unwrapped	do	.09	Cinnamon rolls		.20
Rye, sweet, unwrapped	do	.09	Cinnamon twists		.20
Vienna, unwrapped	do	.09	Sandwich buns		.20
Snowflake, unwrapped	do	.08½	Doughnuts, sugared		.20
Raisin, wrapped	do	.13	Doughnuts, plain		.20
Purity, special wrapped	1½ pound	.13½	Toast	per pound	.18
Purity, double, wrapped	do	.13½	Toast, packages	each	.17
Rye, wrapped	do	.13½			

Yours very truly,

PURITY BAKING COMPANY.

Regarding the higher price of flour mentioned in this circular announcement and in the announcement of the Minneapolis newspapers the Purity still had on the 1st of February a considerable quantity of flour on hand bought at lower prices. A purchase of 50,000 barrels was made toward the close of 1924 at a much lower price than prevailed in February, 1925. Another one of the large

Minneapolis bakers made no purchase of flour during 1925 until the middle of July. With varying quantities of flour in the store of Minneapolis bakers on February 9, 1925, purchased at widely different prices, a gradually rising flour market is hardly a satisfactory explanation of a cent increase in the price of bread for all these bakers on the same day, February 9.

It was stated to the commission's agent by an official of the Purity Baking Co. in explanation of the rise of other bakers on February 9 that this circular announcement was sent to competitors, one of which, Regan Bros., was named. The policy of an important firm in an industry furnishing information of price changes to its competitors prior to the date of change may well be a part of the modus operandi of price agreements. In the case of the February, 1925, price change, however, the evidence is strong that an understanding concerning the change existed prior to the date of circularizing the trade. Moreover, examination by the commission's agent of the correspondence files of Regan Bros. failed to disclose any announcement of increase of prices received from Purity January or February, 1925, nor could the office manager of Regan Bros. recall having received any such announcement.

That national association officials regard wholesale prices in the flour cities of Minneapolis and St. Paul as "open to suspicion" and "artificial" is evident from the following taken from a letter written by John M. Hartley, secretary, Associated Bakers of America, Chicago, to L. F. Bolser, Excelsior Baking Co., Minneapolis, November 24, 1925:

> Understand business is pretty good in the Twin Cities and hope it keeps up and gives you a good fall and winter trade. As a point in good economics I have often wondered if the fine bread price you are getting in the Twin Cities is not a little dangerous. We committed an economic misdemeanor in Chicago when the bread price was retained at war prices in low-cost years, and most of the troubles in this market can be traced to this maintenance of an artificial price. It invited heavy chain-store competition and invited expansion and inefficiency in operation and various other of these weakening business maladies. I am thinking that in your case when the chain-store bakery opens that they will introduce it to the public with a loud noise and a 5-cent loaf, and if they do it will invite a scrutiny of the general price and comparison with the prices of other cities.
>
> I just offer this last as a thought that has been with me for two or three months back. It is a dangerous thing for me to say, as I believe in sustaining a fair price, but if you think carefully you will recognize that a wholesale price of 9 and 13 cents in the Flour City is open to suspicion.

To this Mr. Bolser replied, November 27, 1925, as follows:

> I am very much interested in the last two paragraphs of your letter, relative to the Twin City situation. Business is good, but our profit statement at the end of the month does not indicate that we are charging too much for bread. Of course, our bread business is not the largest part of our business. I think it is possibly true with most house-to-house distributors over the country that the big demand for their goods is measured in the line of cakes, rolls, etc.
>
> You mentioned chain bakeries. What do you know about this? I am somewhat interested.

Under the conditions which Mr. Bolser states existed in his bakery, where the bread business is not the largest part of the business, profits on investment might be relatively low even though the pound margin of profit on bread is relatively high.

As to Mr. Bolser's connection with the Twin Cities' increase in prices, February 9, 1925, he stated to the commission's agent that

neither he nor the American Bakers' Association had anything to do with it, that he knew nothing of the meetings held to arrange for the increase, and that at the time he wrote the memo. to Mr. Barnard he did not know there was to be a general increase in the prices of local bakers.

Section 15. Premium giving, Cumberland, Md.

The following correspondence relates primarily to a case of premium giving and the American Bakers' Association's effort to eliminate this practice, but there is also reference to an agreement between the bakers of Cumberland, Md., and to the observance of a code of ethics. John M. Streett, a baker of Cumberland, Md., makes the complaint against the Smith Model Bakery, of that city, in a letter to the American Bakers' Association, January 13, 1925:

> The Smith Model Bakery, of this city, are giving premiums, as you can see from the inclosed advertisement clipped from local paper of this date.
>
> As this method of advertising is against the code of ethics of the association, of which I believe Mr. Smith is a member, and is also a violation of an agreement made with the local bakers, of which Mr. Smith is a signer, it might be of some benefit to the other bakers of this locality if you would take it up with Mr. Smith and to explain to him where such an advertising campaign might lead if his competitors would all try to outdo each other in each trying to give a little better premium.
>
> I know that you have many arguments against this sort of advertising and I trust that you will not lose any time in laying them before Mr. Smith.
>
> Thanking you for your cooperation, I remain.

Mr. Barnard, secretary-business manager, American Bakers' Association, Chicago, transmitting the complaint to L. A. Schillinger, chairman of the committee on trade and industrial relations, Baltimore, Md., January 20, 1925:

> I inclose the first letter which we have received for a long time which has any complaint to make, which should go forward to you as chairman of the committee on trade and industrial relations. You know Mr. Smith as well as Mr. Streett, and no doubt you also know of all the circumstances and so will be able to handle the matter with complete satisfaction to everyone. It may be that this is a Bamby bread proposition and that it will be used all over the country.
>
> I have just returned from several days spent in Washington, where I visited many of the departments and everywhere found a decided interest in the baking industry and nowhere any direct criticism either of bread prices or bakers' practices.
>
> Thanking you for your cooperation in this matter, I am.

Mr. Barnard to Mr. Streett, January 20, 1925:

> I have just returned from a week in Washington, where I attended the National Distribution Conference, and this is the first chance I have had to reply to your letter of the 13th instant, in which you refer to the premium policy of the Smith Model Bakery. I have forwarded your letter to the chairman of our committee on trade and industrial relations, who will immediately take up the matter with Mr. Smith.
>
> Is it possible for you to determine whether or not this method of advertising, which makes use of the bread box as a premium, originated with Mr. Smith or with the company back of Bamby bread? The proposition looks like Bamby bread propaganda.
>
> One of the things we discussed at the conference last week was the matter of business ethics, and we got along very nicely until we came to the point where it was necessary to take up the method of penalizing violators of the codes. There seems to me no definite idea as to how this can best be done. It was suggested that associations could not use the threat of expulsion to keep members in line without violating some of the ideas of the Federal Trade Commission.
>
> Keep in touch with me.

Mr. Schillinger writes to Frank E. Smith, Smith Model Bakery, Cumberland, Md., February 18, 1925, sending also a copy of this letter to Mr. Barnard:

It was a great surprise and a sad disappointment to the writer to have Doctor Barnard inform that your organization was advertising and giving away premium bread boxes at Cumberland, particularly so when I know that you advocated and urged a code of ethics to govern the conduct of members of Potomac States Bakers' Association.

Knowing you as I do, and always believing in your sincerity of purpose, this letter could undoubtedly end with the first paragraph. However, I want to write what I am sure you would have me think, and by so doing possibly save you some embarrassment.

This Bamby campaign proposition has been brought to my attention before, whereby other bakers throughout the country have tried to justify their actions in advising that the bread box was to be sold, taking away all semblance of a gift or premium; but the fact remains the same, in that the advertisement calls for wrappers or labels plus the price, which immediately classifies the article as a premium to make the sale of the loaf of bread more attractive.

It's all wrong, Frank, and you know it, and it can only work a hardship on you and your organization eventually, because it will start the other bakers of your territory in premium giving, which will grow in increased value of the premiums until everyone is hurt, and then there will be a settling down and back to normal, in which everybody will have his original share of business, unless he is intelligent enough to put the price of the premium into the quality of his loaf.

I am sure that in your enthusiasm to put out the Bamby loaf to attract more business, due to its national publicity, you have in an unthinking moment permitted the premium scheme to slip in, and though you must agree with me that it is an error, it is likewise pardonable if you will discontinue the one bad feature of the plan at once.

As a past president of an organization for which you did so much in making it grow, and frequently went on record publicly at conventions and other meetings in denouncing unethical trade practices, you can readily see that unless you change your tactics you will certainly lose the faith and esteem in which you are so highly held by its members, and as a friend and in my capacity as undersigned, I urge you to desist.

Looking forward with much pleasure to an early reply, and with warm personal egards and best wishes, believe me.

Mr. Barnard to Mr. Schillinger, February 20, 1925:

We have a special file for the letters you write your friends as chairman of the industrial relations committee. The letter you wrote to Frank Smith, a copy of which is before me, is a jewel. I shall be glad to know what Smith's reaction is.

I wish it were possible for us to take to some of the local associations such evidence as this is of the efficient work of our industrial relations committee.

I trust that everything is going well with you. We are busy here, busier every moment, but we think that day by day we are visioning more definitely the work ahead of us. Of course, it is hard not to be able to jump in and help bakers handle local troubles, but, after all, our big job has little relation to price wars or premiums. Our fundamental concern is with the building of the industry and increasing bread consumption.

Incidentally, we are getting a lot of work started on cake. I shall soon come to you for some advice.

Mr. Schillinger to Mr. Barnard, February 24, 1925:

I shall be very glad to send you a copy of reply from Frank Smith, should I ever receive one, but I have "me" doubts. Possibly I will see him at Charlotte on March 11 at the executive committee meeting of Potomac States Bakers' Association.

While on the subject of premiums, would it be possible for you to get in touch with this chap who is putting out Bamby bread, advising him of the discontent he is causing among the bakers and suggesting that that feature of his campaign be left out, and by so doing help us solve the great problem that is such a menace to happiness and harmony among bakers?

Shall await your reply with much pleasure.

With kind personal regards and best wishes, believe me.

Mr. Smith to Mr. Schillinger, February 28, 1925:

Your letter of the 18th received, which was not a great surprise to me, as I had expected to hear from you. I had really intended to take this matter up with you while in Baltimore at our last meeting, but, unfortunately, did not have the opportunity to do so.

I would have answered your letter immediately, but about the same time that I received your letter I received one from Harry Woolridge, advising me that he would be in Cumberland on Monday morning, February 23, but, unfortunately, for some reason or other, Harry did not arrive as he had advised.

As this proposition of the Bamby campaign and the bread-box campaign is quite a long story, I had intended to explain the situation to Harry, who understands and is acquainted with my position here, and in turn could have explained things to you on his return, which would have made my position to you very clear. Understand, I am not trying to evade the responsibility of this campaign, but I might say to you with all sincerity that this campaign was put on entirely against my will and wishes and after quite a scrap with my brother and the S. E. Loveless people. I might also add, which I am sure you will be pleased to hear, that the bread-box campaign was discontinued by me on February 7 after a run of just one month; and I might also advise that no bad effects have come from same so far as the local bakers are concerned, as I was successful in explaining the proposition to the boys here who understood my position, and I am glad to say that the matter is settled to the entire satisfaction of all concerned.

I again want to apologize to you for not answering your letter at once, but, as stated before, I waited on Harry to come to Cumberland, and then on Monday night I had quite a fire at my plant—a large garage which we had recently purchased from the Motor Transfer Co. in the rear of our plant was completely destroyed, including one Dodge truck, $1,000 worth of wax wrapping paper, two 5-ton trucks belonging to the Motor Transfer Co., and two touring cars belonging to two of my employees. This, of course, upset things for me, and I have been quite busy getting things straightened out again.

I trust that in the near future I may have the opportunity to see you personally, or perhaps to see Harry personally, at which time I trust that I will be able to explain things more thoroughly to you, and I trust that until such time you will bear with me and will not pass judgment on this proposition. With kind personal regards, I beg to remain.

Mr. Schillinger to Mr. Smith, March 2, 1925:

Mr. Frank E. Smith,
Smith's Model Bakery, Cumberland, Md.

My Dear Frank: It is certainly good to get your letter, and particularly to learn of the discontinuance of the premium feature of your Bamby bread campaign; likewise the advice that you, personally, were opposed to this method of merchandising.

Knowing as I do the conditions in your organization, I felt from the beginning that you had no part in this unethical method of promoting your new loaf of bread, and I wish it were possible to get your brother George thinking along the same lines as do you. However, we must be patient and sell him carefully, on the idea that unethical tactics only temporarily carry us any distance and then at a trememdous cost in the final reckoning.

There is room for us all, and lots of it, particularly if quality products are made, and if bakers would only take the money spent for premiums and put it into their purchases of raw materials and up-to-date machinery equipment they would find their volume being built on a quality foundation that could not be upset very readily by premiums or rebates.

I want you to know that your letter has made me very happy, and I trust that the day is not far distant when the policy and the practice of Smith's Model Bakery will be shaped to conform to the ideas of one Frank E. Smith.

Looking forward with much pleasure to seeing you in the near future, believe me, with warm personal regards and best wishes.

Interoffice letter from Mr. Schillinger to Mr. Barnard, March 2, 1925:

Attached letter from Smith's Model Bakery tells its own story and is sent in compliance with your request.

After it has served your purpose please return for my files.

Regards.

Memorandum from Mr. Barnard to Mr. Bolser, March 4, 1925:

The inclosed letters in reference to the Bamby situation in Cumberland, Md., tell their own story. Schillinger is doing fine work as chairman of the committee on trade and industrial relations. He deserves a lot of credit for it.

I wish it were possible to show some of our critics who find fault with us because we do not police the entire baking industry some of the results of his fine work.

Memorandum from Mr. Bolser to Mr. Barnard, March 6, 1925:

I have read with a great deal of interest Mr. Smith's letter to Lou Schillinger and his reply. He surely is measuring up to full standard in his work as chairman of the trade relations committee. His letters are works of art.

The more contact I have with him the more I believe he would make an ideal president of the national association.

Mr. Schillinger to Mr. Smith, March 14, 1925:

It was most gratifying to receive your letter of February 28, explaining conditions that arose in your efforts to kill the premium feature of your Bamby bread campaign, and I sympathize with you on the humiliation you suffered in being outstanding in your efforts to abide by the code of ethics of Potomac States Bakers' Association.

The writer personally has suffered likewise on many occasions in upholding honor among men of the industry, but is most grateful for the outcome of victory in the largest degree on fights for sincerity of purpose against ignorant enemies of the baking industry.

We fellows who have elected ourselves to be the spokesmen and leaders of honest organization work must expect to suffer humiliation, but the reward is the establishment for ourselves of an honorable name among our fellow men.

Again thanking you for the courtesy of your reply, and looking forward with much pleasure to seeing you in the near future, believe me, with warm personal regards and best wishes.

Section 16. Carbondale, Ill.

There is evidence in the correspondence of the American Bakers' Association that the association still holds itself in readiness to settle "bread wars," its instrument for such settlement being its committee on trade and industrial relations. The following is a letter from George N. Meissner, General Baking Co., St. Louis, to H. E. Barnard, secretary-business manager, American Bakers' Association, Chicago, September 3, 1925:

GENERAL BAKING CO.,
1019 North Jefferson Avenue,
St. Louis, Mo., September 3, 1925.

Dr. H. E. BARNARD,
Secretary and Business Director, American Bakers' Association,
1135 Fullerton Avenue, Chicago, Ill.

DEAR DOCTOR BARNARD: The William E. Kayser Grocery Co., Carbondale, Ill., telephoned us this morning that a bread war between the three local bakers had just started in that city.

The Kayser concern is one of our best customers. They came to us in 1918 during the World War and have used our quality bread exclusively and continuously since that time.

As far as we are concerned, immediate effect of this bread war is a substantial loss to us in reduction in Kayser's daily order until the situation becomes more normal, and, of course, may possibly lead to a loss of the entire order, if the bread war continues.

We feel, however, that far more important than this temporary setback to us is the danger that lurks in present situation at Carbondale. A bread war is a senseless thing. Often it spreads to other communities unless handled promptly.

We therefore ask that you will use the good offices of your association in effecting immediate peace among the local bakers at Carbondale, Ill., and bring pressure to bear that will make them cease and desist in their present harmful and deplorable bread-war policy.

Yours very truly,

GENERAL BAKING CO.,
GEO. N. MEISSNER.

Mr. Barnard's reply to Mr. Meissner, September 8, 1925, instead of stating that the association could take no part in bringing competitors together on prices expressed regret that the association had no members in the vicinity of Carbondale, Ill., to whom the matter could be referred for settlement by those in close touch with the situation and indicated that the letter would be referred to the chairman of the trade and industrial relations committee.

SEPTEMBER 8, 1925.

Mr. GEORGE N. MEISSER,
General Baking Co., 1019 North Jefferson Avenue, St. Louis, Mo.

MY DEAR MR. MEISSNER: I regret very much that we have no members of American Bakers' Association in Carbondale, nor do we know of any members in that part of the country to whom we could refer your letter in reference to the bread war which seems to be starting down there. We are getting very little support in our association work from Illinois bakers. They are organized locally in many parts of the State, but we have no contacts of any kind with them.

The best, therefore, that we can do in response to your request is to refer the matter to Mr. L. A. Schillinger, chairman of our committee on trade and industrial relations.

I regret that we can not be of any service to you. This is one of the matters which is quite beyond our control or ability to take up at all helpfully.

Yours very truly,

_____ _____,
Secretary and Business Manager.

Mr. Barnard's letter to L. A. Schillinger, chairman committee on trade and industrial relations, Baltimore, September 8, 1925, transmitting Mr. Meissner's request for help:

SEPTEMBER 8, 1925.

Mr. L. A. SCHILLINGER,
Gardner Bakeries (Inc.), Baltimore, Md.

MY DEAR MR. SCHILLINGER: Here is a final call for help. It may already have come to your attention. If not, you will know what to do with it.

I regret that I had to write Mr. Meissner that we could do nothing to help him because we have no members in Carbondale or in that part of the country, and, so far as I can determine, we have no influence at all with Illinois bakers. I hope the situation did not prove to be as serious as Mr. Meissner feared.

Looking forward to seeing you, I am,

Yours very truly,

_____ _____,
Secretary and Business Manager.

The foregoing correspondence was from the files of Mr. Barnard, secretary of the association. On March 24, 1926, the commission's agent, in an interview with Mr. Schillinger requested to see this correspondence and all other relating to the case. Mr. Schillinger directed his secretary to make a search for the correspondence, but she stated that she was unable to locate it. Upon being asked to state just what action he took in the matter, he replied that he did not recall the incident at all: "I must have sent it [the correspondence] back to Barnard, or maybe I fired it back to Mr. Meissner." [7]

[7] As noted in connection with the Pittsburgh case (p. 118), the files of the chairman of the industrial relations committee relating even to recent cases are incomplete and the chairman's recollection of these cases gone. For other similar cases see pp. 71, 102, and 106.

CHAPTER V

COMPETITIVE ACTIVITIES OF OTHER ASSOCIATIONS

Section 1. The Associated Bakers of America.

The Associated Bakers of America, retail and wholesale, was formerly the Retail Bakers' Association of America. With a growing number of wholesale baking companies in its membership, it took its present name in 1925. Its headquarters are in Chicago. No copy of constitution and by-laws was available. It has a nominal membership fee of $3 per member a year. It has no paid officials. For the year 1925-26 Michael Hoffman, St. Louis, was president and John M. Hartley secretary. The latter has held the office of secretary in this association for many years.

The work done by the association is largely through State, district, and local associations. Two State associations in particular, the Associated Bakers of Illinois and the Indiana Bakers' Association, are closely identified with the Associated Bakers of America in both personnel, aims of organization, and methods of work. Certain of the correspondence cited below in connection with these State associations will show the part played by the national association in settling competitive differences through allied State and local associations.

Answering a request for information concerning the Chicago price raise of March, 1922, which H. S. Brouri, of the Iowa sales department for Pillsbury Flour Mills Co., made of Mr. Hartley in order to find a way to get higher prices in Iowa, Mr. Hartley wrote, March 10, 1922, in part as follows: [1]

> The only thing Iowa bakers can do is to organize locally; the best for them will be a zone system under the State association. Then, if the salesmen through the State would start a quiet but persistent argument for better prices the cumulative effects would be good. If I can get any authentic word from any of the firm officials as to the effect, I will send along to you. Your Mr. Hutchinson here is right close to the Big 15, and he may be able to supply you with some real news. I am distinctly sorry for the Iowa bakers; they are in an impossible position.

Writing to Charles J. Kremer, Milwaukee, member of the executive board of Associated Bakers of America, Mr. Hartley, secretary of the association, says, concerning his official work for local groups:

> I have been unusually busy the last five or six weeks, and have two meetings to attend this week in Indiana. It's a great deal of satisfaction attending these smaller meetings where the bakers need some practical help in ironing out their difficulties. One or two often keep many in red ink. Some of the work may touch on the illegal, but without it many would drag along broke or near broke. We are getting membership into the Illinois association and therefore into the national through these group associations, and doing good.

The following paragraph concerns the organization of the Western Michigan Bakers' Association through the assistance of the Associated Bakers of America at a meeting at Grand Rapids. It is written by Mr. Hartley, April 12, 1924:

> The west Michigan meeting was really an organization affair. It ought to go all right. As long as they keep it within reasonable territory where membership can readily get to a quarterly meeting they can get by in good shape. They are in fair price shape and have an intense desire to stay there. That is what

[1] See pp. 148-149 for this entire correspondence.

> I harped on, the value of keeping things from happening. * * * Grand Rapids is a good, certain [center] for a good economic district, and therein should lie the germ of success. There were over 70 in that room. Well over 50 were bakers. That would be listed as a swell State meeting.

The secretary of the Western Michigan Bakers' Association, I. Douma, Grand Rapids, writes Mr. Hartley, October 21, 1924, concerning the local price situation as follows:

> With reference to our Western Michigan Bakers' Association, would say that it was just decided last Friday that our next meeting will be held Tuesday, October 28, at 1.30 p. m., at the Pantlind Hotel of this city.
>
> The bakers are not very well satisfied with prices on baked goods, especially bread, and in this territory no changes have as yet been made, with the possible exception of a few bakers who had been selling 19 and 20 ounce loaves of bread for 6½ and 7 cents. These bakers have advanced their prices to 7 and 8 cents. The prevailing wholesale price of the large loaf of bread, however, is still 10 cents for the 24-ounce loaf, which retails at 12 cents. Several bakers are now in favor of advancing the wholesale price to 11 cents. It is possible that in a general way this may be discussed at the next meeting.
>
> After the meeting we will be more than glad to write you should anything of interest transpire.

Section 2. Associated Bakers of Illinois.

Organization.—The Associated Bakers of Illinois, retail and wholesale, formerly the Illinois Association of the Baking Industry, is organized after the manner of the New England Bakers' Association, being composed of district organizations. Provision is also made for individual membership by the payment of dues of $10 per year. When, however, an individual is a member of an affiliated district association his dues in the State association are only $2.50 a year. No list of individual members was available to the commission. Since the convention, June, 1925, a field secretary has been employed at a salary of $5,000 per annum and expenses.

At that convention subscriptions by allied tradesmen as well as by bakers were made in order that the association could maintain the office of field secretary. The following is a paragraph of a letter by George Chussler, jr., field secretary, Associated Bakers of Illinois, to B. A. Bergenthal, president Red Star Yeast & Products Co., Milwaukee, October 1, 1925:

> If you will recall part of the conversation we had the day I had the pleasure of that short visit with you a few months ago, you will remember I indicated that responses from others of the allied trades were not very hearty. This makes it necessary for us to call on you at this early date for a part, say, $1,000, if it so pleases you, of that generous pledge you so kindly made at our recent convention. It was our hope that it would not be necessary to call on you quite so soon, feeling that we could carry on, some months at least, on the generosity of others whom we felt would entertain our proposition in a more receptive mood than is the case.

The plan of the district association membership originated during the year closing with June, 1925. The published explanation of this new policy announced by the State organization in "A year of service," which listed 19 different associations as members, is as follows:

> It was necessary to bring the association to the bakers in order that they would better realize the benefits they could derive from closer contact with one another. To hold meetings in their districts which would cover as nearly as possible their own competitive areas was of paramount importance. This would furnish the opportunity, the place for them to discuss and find remedies for trade troubles which bakers from other parts of the State would have but a passing interest in and naturally would never find its place on a convention program of wide scope covering topics of general interest. Then, again, the location of the meeting

place must be considered and the city or town selected must be so located geographically that it suits the majority and is most conveniently reached, so that attending a meeting would mean at the most only three or four hours away from their business establishments.

District organization and activities.—The following excerpts from correspondence from the files of the field secretary show the character of activities of the district organization and its meetings.

W. H. Keig, Keig-Stevens Baking Co., Rockford, Ill., to George Chussler, jr. Chicago, Ill., June 21, 1924.

Your letter of the 17th just received. I am a little in the dark as to what the officers of the State association expect these district meetings to consist of. My idea has been that they were to be more in the nature of a get-together to discuss district problems. I should like to have your idea on this. Of course one of the important things is to try and get memberships for our State association—individual memberships where possible, and also local association memberships.

Mr. Chussler, in reply, June 23, 1924:

You are right. It is also our idea that these meetings should bring together the neighboring bakers of a locality and to discuss problems of most interest to them. These are about the lines we intend to work on in your city July 8, and while, as you say, a membership drive is important, it is not our idea to make it so in fact, but rather to do it by suggestion. We will talk shop and cover any problem that will be of interest, and will also do our best to get them to talk, which we believe will go a long way in bringing the desired results.

W. A. Gerken Baking Co., Bloomington., Ill., to Mr. Chussler, February 6, 1925:

We had a fairly good attendance at our meeting last Thursday.

So much of our time was taken up discussing weights, prices, etc., that it got late, and as Mr. Hartley wanted to catch the 6.15 train we didn't get organized as we should. Therefore, we didn't try to get any applications for membership signed, but think there is a prospect of lining up some members at the next meeting.

George E. Wuller, Freickert's Bakery (Inc.), Belleville, Ill., to Mr. Chussler, February 13, 1925:

Your letter received yesterday. I will put this resolution to the membership of the Southern Illinois Association on Tuesday, February 24. We had a meeting of the executive committee at Mount Vernon Tuesday, and called a meeting for Carbondale on Tuesday the 24th. They are having trouble down in the neighborhood of Herrin, Du Quoin, Carterville, Carbondale, and Benton, and we are going to adjust matters and get them together, if possible. We will not arrange a set program of speeches; merely discuss matters for the betterment of the association, such as raising dues, reading of by-laws to be adopted at our annual meeting in May, tentative program for annual meeting and place to hold same, at morning session, and then have a closed meeting for bakers only at the afternoon session. The big trouble down there seems to be price cutting. Due notice will be mailed you by our secretary, and would be glad to have you attend if you can see your way clear to do so. Our secretary's name and address is Wayne G. Martin, jr., 215 Merchants' Exchange Building, St. Louis, Mo. If you have anything to suggest to bring to the members at Carbondale, would be pleased to hear from you. Will boost the State meeting as much as possible.

Regarding the resolution drawn by Bloomington on standard weight law for Illinois, I as a member of the board of directors of the Illinois association vote in favor of a standard weight law, details, of course, to be worked out later. Presume that is the understanding. I believe it would help us very much in eliminating outside State competition. Will advise you of the sentiment expressed by the membership present at Carbondale right after meeting.

With best wishes and kindest regards to Mr. Bipp and yourself.

Clyde J. Keith, Keith Bros. Bakery, Charleston, Ill., to Mr. Chussler, February 14, 1925, concerning the meeting at Paris, Ill., and the difficulties encountered subsequently:

As you know, it was the intention of your meeting at Paris to get the bakers all lined up on the price situation, and to get them more together, and for a while it looked as though we were going to get along fine. First one and then another would be contrary on raising the price, until now I believe that the bakers are in a class by themselves when it comes to being dumb and small-town business men. It sure is discouraging and I don't wonder that the leaders (the officers of the Illinois Association) don't give up sometime and tell the bakers to get along the best they can without any outside help. The first break came when the Model, of Mattoon, raised their price in Charleston without first notifying us, and because we did not raise the same day they came back down. We were ready to raise and then did raise about three weeks later. After that we almost had to beg them to raise their price here and then they waited three weeks and knocked an awful hole in our business. We are just now beginning to recover it. Our plant and the Model plant in Mattoon got together and raised their price, and had the cooperation of another small baker there; also some assurance from Fullerton, of Tuscola, that he would not come in Mattoon; and the result was that the other small baker in Mattoon did not raise and Fullerton put a truck on Mattoon with a 2-cent cheaper price. Isn't that some cooperation. My brother and I have just about decided to be price cutters and have no regards for anybody. That is poor business, but, darn, we get so disgusted. I almost forgot to tell you that in Paris the local bakeries there are all in line and as far as I know nobody has any complaint. Our bakery there is doing good. I have been out on a couple of trips trying to get all the bakers lined up, but it seems like an impossible task. They are fine while you are talking to them, but after you leave they know what you have done or are going to do, and I'll be darned if most of them won't take advantage of what you tell them about your own business. I have in mind one baker in Newman who was down to the Paris meeting and was strong for a raise. Well, he did not raise, and came in Paris and solicited business with a price 2 cents under the Paris bakers, but did not get enough orders to pay him to come down. Seass, Clem, and I went up to see him, and were prepared to tell him that if he sold bread in Paris cheaper than ours we were going to come to Newman and give it away. But before we got a chance to tell him that he told us he was not coming in for the reason given above. Well, the next day the Newman paper came out with an article stating that we were up there begging their baker to please not come into our towns with his good bread, as if he did we were afraid that he would put us all out of business. They gave all the names who were there. While we were there we told him that we had raised the price in Charleston and had a nice little chat, and I'll be darned if he didn't try to sell bread here in Charleston the next week. He did not sell any. I merely relate the above to show that in my opinion there is not a bit of chance of ever getting the little bakers lined up, nor is there any chance of getting fellows like Fullerton, who imagine that they are in the class with Ward's lined up.

* * * * * * *

We have not had any meetings lately. In fact, only two since you left. I am going to ask Art. Seass to call one before long.

Mr. Chussler in reply, February, 21, 1925:

Yours of the 14th devoured with interest. It is, indeed, too bad that the education of the baker is so slow a process and that he does not adopt first-class business methods without being forced to it through law or other forceful procedure. You boys sure are in a mess, and it hurts me to think that you never even let out a peep to us or appealed to us to come down again, after we offered our services any and all times that you thought we might be of service.

There are other districts who fared as bad and worse than your section, and it was not possible for us to clean it up in one meeting; we have had to go back Clyde, you know, we have had plenty of experience in association work, and we realize that the weakness comes to the front so quickly and the desire to get out of a mess under any conditions appeals far quicker than the idea to ponder over it a minute and think as to whether it is the best way out. What chance, can you tell me, has the retailer or the independent wholesaler to-day with these gigantic corporations that have been formed or are in the process of formation, if they continue to buck one another in the way you relate in your heart-rendering [rending] epistle. You are right; it takes men that are in a sense hard-boiled, to go through what our little crowd has been through this year. There is absolutely nothing of personal advantage or gain in this work for us other than the civic

pride that we have been able to render service to an industry that the Lord knows needs help, in the hope that they will appreciate it and make use of it for their good and the furtherance of the baking industry.

Unfortunately, Mr. Lipp is not in the best of health; he has been laid up off and on for the past month and I am afraid he will not be able to do much traveling until it gets warmer. We can not, however, pass up your situation without a concerted effort to right some of the wrongs that are prevalent, and we want to meet with you again. I am writing to Arthur Seass to-day, and will tell him that I am requesting you to call a meeting for Tuesday, March 3. I am lined up for Danville on the 4th and Urbana on the 5th and will make Paris or any other place you say on the 3d, but please let me know in due time as to the time and the place of the meeting. Will you do all in your power to get a good crowd at this meeting and see if something that is good and for the advantage of all can not be accomplished. Don't, for heaven's sake, throw up the sponge just yet. I can appreciate the effects of the bumps you boys, who took the initiative and carried the burdens throughout your section; it is about the same kind of thanks and appreciation all of us get that are trying mightily to do some good, and, believe me, I know it hurts. I can sympathize with you and all the rest, but tell me, Will that get us anywhere? I know it will not be a bed of roses everywhere, all the time, within this industry of ours, but, by the powers that be, our hat is in the ring and we are ready to go the limit.

Do your little bit, call this meeting for the 3d, and I will come down, and if at all possible will get someone to accompany me. Would like to have John Hartley with me but he is such a busy man and so much in demand all over I can't hook him for this job. If possible get together with Arthur and invite as many as possible in and around, whether they have affiliated with your group or not. I assure you I will do the best I can and any and all suggestions will be greatly appreciated.

Hoping to hear from you at your earliest convenience, I beg to remain, with best wishes.

Replying to a request for information from Charles McCaffree, secretary, South Dakota bakers' unit of the Manufacturers' and Employers' Association, Rapid City, S. Dak., Mr. Chussler writes, July 2, 1925:

We held nearly 40 district meetings throughout Illinois last year—that is the convention year.

We generally tried to get the bakers of a competitive area together and get them acquainted with one another and then *help them help themselves*. That last item (*italics*), was what we preached. We created a better feeling in the area visited, and if you will just take the trouble to read in the recent issue of Bakers Helper or any of the other trade papers who covered our convention, you get a much better and clearer idea of what this really meant to these bakers, because we called on representatives of the different districts to get up on the convention floor and cite their experiences. It takes plenty of time and still greater patience, but it brings results. We have only started in Illinois. Last year, or rather our 1924 convention, we had only the remaining shell of an organization, and our work has developed it again to a real live body; and this year I have been engaged, on the basis of salary and expenses, to devote all of my time to this work and carry-on where we left off last year. I could give you plenty of information, and will be more than glad to, if you will just fire a set of questions at me as to just what you would like to know. I have given a great deal of time to this kind of work and nothing pleases me more than if I can be of assistance if only in a small way, that will lend aid to the further development of our great industry. I assure you, Mr. McCaffree, I would be pleased to hear from you again, and will answer much sooner the next time.

The help of the allied trades in organization work is frequently sought and secured. Mr. Chussler to L. R. Merrill, Washburn-Crosby Co., Chicago, July 11, 1925:

Knowing that you and your company is ever willing to cooperate with the bakers prompts me to ask a slight favor of you, and trust it is not asking too much. We have arranged for a little district meeting of the bakers operating in Lake County, to be held Tuesday evening, July 21, 1925, at 6.30, in the Plaza Hotel, Waukegan. I feel pretty sure that some of your men cover this territory and all that I desire is to mention the date and place of this meeting, and add just a word as to how valuable they are and have been to bakers in other sections of our State, to these bakers as they call on them between now and the 21st.

This is the first meeting we have arranged up around this territory, and from what I can learn in getting around up there, I believe we can be of service to them. I will do all in my power to get a good representation at the meeting, but also feel that the salesmen as they call around the territory can be of yeomen service and I assure you they will also benefit by it.

Letters were sent to local groups not associated with the State association offering to assist in organizing them into district associations affiliated with the State, and to "help the bakers of a competitive area help themselves, and thereby strengthen our State body."

Mr. Chussler to Charles Barth, Rock Island, Ill., August 8, 1925:

The Associated Bakers of Illinois have during the past 14 or 15 months held district meetings of all bakers in a competitive area. We have not, within this space of time, been able to reach over the State in its entirety. Your district is one that we have not been able to make, and it is our idea that those are the first to be taken in this year.

You have in years gone by held membership in our association, and this fact, coupled with some other information I gathered recently at a district meeting in Aurora, from our mutual friend Dad Brewbaker, of Elgin, resolved itself into the fact that I could trouble you for a little assistance. I have been informed that you have a little organization out your way, and if not you have at times met to consider trade problems. If such is the case it should not be much of a problem to get a good meeting of the bakers of your area for, say, the 27th of August.

We have had nearly 40 of these meetings since our 1924 convention and they have proven very satisfactory and have greatly strengthened our State association. Every territory visited has organized itself into a district association, which is affiliated with the State body. This fact adds more prestige to your district association and benefits the industry of the entire State.

I will call the meeting, and all that I ask of you is to please make the arrangements at some club or hotel for a room for about 25 for about 3.30 p. m. and they say a little dinner at about $1 to $1.25 per plate for about 6 p. m.

If you will consent to do this for me and advise me as to the name and address of the place you select, I assure you it will be sincerely appreciated. I have a meeting scheduled in Freeport on the 26th, and in order to save time and expenses would like to make your city on the following day.

Awaiting your prompt reply, I am.

Mr. Chussler to Billerbecks Bakery, Freeport, Ill., August 8, 1925:

As a member of the Associated Bakers of Illinois, I am appealing to you for a little aid. Our association for the past year has been holding district meetings of the bakers operating in a competitive [district]. The closest we got to your city last year was Rockford. While this is not so very far from your city it is quite a spread for the territory west of Freeport, and for this reason I think we could get a pretty nice gathering of the bakers together in Freeport and there form a little district association which would be affiliated with the State body same as the Rockford association, as well as some 12 or 13 other districts.

If it is not asking too much I would appreciate it very much if you will make the arrangements in some club or hotel for a room for about 25, for an afternoon meeting, say, about 3.30 p. m., with a dinner following; dinner to cost in the neighborhood of $1 to $1.25 per plate. Would suggest Tuesday, August 25. Dinner about 6 p. m. Kindly let me know the name of the place you suggest and the address and I will notify the bakers. If possible, please send me the names of the bakers operating in and around Freeport.

We have had nearly 40 meetings such as this during the past year and the bakers have found them very beneficial. We aim to help the bakers of a competitive area to help themselves, and thereby strengthen our State body.

Awaiting your reply, and thanking you in advance for the courtesy, I am.

In arranging for district meetings the State association endeavored to secure the assistance of any bakers in adjoining territory who might be in competition with those of the district where the meeting was held.

Mr. Chussler to Earl Randall, Galesburg, Ill., December 8, 1925:

Would suggest that you invite some of the Rock Island and Moline bakers to your next meeting, inasmuch as some of them come into competition with some of the Galesburg bakers.

District meetings.—In the association's printed announcement, "A Year of Service," referred to above, is a list of 37 district meetings held during the fiscal year, with date and place of meeting. To the commission's agent the nature and results of each meeting were stated by Mr. Chussler, and stenographically noted. At 11 of these meetings there were agreements on prices or on practices directly affecting prices, such as premium giving, and at others there were attempts to come to agreements, which in some cases were made successful in later meetings. The comment of the field secretary on these meetings, together with correspondence bearing on the same, follows:

Rockford, Ill., July 8,1924: "We perfected organization—got them into the State organization—no agreements."

Joliet, Ill., September 4, 1924: "Getting started. They had meetings later on at which we were not present, at which they fixed up [price agreements]."

Elgin, Ill., September 10, 1924: "Organization meeting."

Terre Haute, Ind., September 17, 1924: "It was suggested that this be covered with Mr. C. P. Ehlers [secretary, Indiana Bakers' Association]."

Aurora, Ill., September 24, 1924: "Prices fixed at this meeting."

Quincy, Ill., September 30, 1924: "There were price agreements; mostly on sweet stuff."

St. Louis, Mo., October 1, 1924: "Friendly get-together with the St. Louis master bakers. We were there as guests. Nothing doing."

Okawville, Ill., October 2, 1924: "Quarterly meeting of Southern Illinois group; no prices [agreements]."

Aurora, Ill., October 7, 1924: "No adjustments. They got along pretty well."

Danville, Ill., October 14, 1924: "Nothing decided on."

Paris, Ill., October 15, 1924: "There were agreements; but never stuck."

Sycamore, Ill., October 22, 1924: "Another Fox Valley meeting; no agreements there." [Fox Valley Association: Aurora, Elgin, Sycamore, etc.]

Joliet, Ill., November 3, 1924: "Trouble between Joliet and the Fox Valley Association. No one [baker] in particular; we were straightening out."

In arranging for the following three meetings, Mr. Chussler, secretary, Illinois Association of the Baking Industry, wrote the Bakers Weekly requesting the assistance of John M. Hartley, secretary of the Associated Bakers of America, and editor of the retail department of the Bakers Weekly. The letter follows:

CHICAGO, *October 20, 1924.*

BAKERS WEEKLY,
Fisher Building, Chicago.

GENTLEMEN: Appreciating the great services you are continually rendering the baking industry, of which we have often directly benefited, I am writing at this time to request, if I may, for some further help. You know we are holding district meetings throughout this great State for the purpose of serving the baking industry and organizing them to better their interests. We have been very successful so far, and much credit for this is due your representative and our friend, John M. Hartley.

We are arranging for several very important meetings next month, as follows: November 17, Decatur; November 18, Springfield; November 19, Peoria; and we would appreciate it very much if you can arrange to have Mr. Hartley accompany us on this trip. These three cities, we have been advised, are in need of help and much good can be done, and with the help of Mr. Hartley we are sure to accomplish our end of it to entire satisfaction of all concerned.

Thanking you in advance for your kind consideration, and awaiting your favor, I beg to remain,

Yours very truly,

GEO. CHUSSLER, JR.,
Secretary, Illinois Association of the Baking Industry.

Mr. A. J. Bamford, vice president of the Bakers Weekly, replied:

OCTOBER 22, 1924.

MR. GEO. CHUSSLER, JR.,
Secretary Illinois Association of the Baking Industry,
1256 Addison Street., Chicago, Ill.

DEAR SIR: It is my pleasure to advise you that we shall be very glad to arrange to have Mr. Hartley accompany you on the trip down through the State in November for the important local meetings which you are planning. We heartily agree with you that these local meetings are productive of much good, and no doubt are a step in the right direction as they not only help your association but help the industry, and we are fortunate in having a man of John M. Hartley's ability on the job assisting at these affairs.

Decatur, Ill., November 18, 1924: "We never got to first base; too many big bakers in northern Illinois."

Springfield, Ill., November 19, 1924: "Reorganization meeting. They got together right after that. In fact, it was a result of that meeting that they cut out some stuff; and this and that."

Peoria, Ill., November 20, 1924: "Four or five of the big bakers there. They had to get together first; premiums—they were loaded up on premiums, all of them. The others were willing to go along."

On December 10, 1924, Mr. Hartley wrote to C. C. Weissmantel, The Pastry Shop, Peoria, Ill., concerning the Peoria price situation, in part, as follows:

I think maybe you folks down in Peoria think that we have been asleep and failing to leave [live] up to our promises, but I assure you we have been doing our darndest to get the right man to come down and see you wholesale brethen. Had a wire from Hirt [Hirt Baking Corporation, Peoria, Ill.] yesterday, which we answered. I believe it is owing to your position to be wised up to what we are doing and how we are trying to do it. You know these wholesale bakers like to be cared for in such a case by one of their own type of man who has been successful and is recognized as being something in the trade. Neither you, Gene, [Lipp, president Illinois Associations of the Baking Industry], or I could fill their needs at such a time, so I tried to get Ed Long [W. E. Long Co.] to do this job, and he is willing and would like to do it either himself or through his assistant, David Chindblom. He feels it is a good thing to do, and the way things are now he wants to help the independent wholesalers if only for the good of his own company and its reputation. Things came up last week in their own company that desire his attention and Mr. Chindblom was in the same boat, but unless something more transpires one of them will be down Friday and if they can't make it Friday it will be the first order of business the first of next week.

I have not had any communication from Mr. Hirt other than hearing from George [Chussler] down town here, and we have not told anyone who will come, but I am telling you and asking you if you don't think we have done well to wait and secure a man who can fix it up rather than rush down a less able or acceptable mediator.

There is just one other thing to this diplomacy mediation; both Hirt and the other side have suggested that George Chussler or I go along, but that we can't do. I think the best thing any of us can do is to leave them alone to iron out

their own troubles, and they may call on you out of politeness, and if I were you I would stay away also, so the fight is right within their own group and they can always face the rest of us without being ashamed. Ain't it?

Peoria, Ill., December 16, 1924: "They cut out premiums, and went from 7 cents to 8 cents."

Danville, Ill., December 16, 1924: "The same way as Peoria; Jack Hines [Chicago manager, Ward Baking Co.] was present. Prices were made 8 and 12 cents for 1-pound and 1½-pound loaves at this meeting."

In arriving at the foregoing price agreement the State and local bakers' organizations had the assistance of the national association through Mr. Hartley, its secretary, as evidenced by the following letter:

JANUARY 5, 1925.

Mr. JOHN M. HARTLEY, *Chicago.*

DEAR SIR AND FRIEND, MR. HARTLEY: On behalf of our temporary oragnization, we take this means of thanking you for the interest you have taken in bringing about better conditions in the baking industry in our immediate vicinity. We want to thank you for your two visits to Danville; the results from the two meetings have been quite good. In a few days we expect to have another meeting and perfect our organization, elect officers, etc. We will endeavor to keep you posted in our progress.

Thanking you again for favors shown us and best wishes for the coming year, we are,

Respectfully,

THE BAKERS' ASSOCIATION,
By GEO. W. JOHNSON.

It seems, however, that the Ward Baking Co. made trouble soon afterwards for the bakers at Danville by the use of coupons. The following is a letter by Walter C. Spitz, of the Mueller-Spitz Baking Co., to Mr. Hartley, January 19, 1925:

MY DEAR MR. HARTLEY: The inclosed coupon may be of interest to you, especially in view of the fact that we recently raised the price of bread and the Ward Baking Co. were favorable toward this movement.

You, of course, understand that while this coupon states that same is good for 5 cents on the purchase of a cake, it undoubtedly promotes the sale of bread. In fact, we have been given to understand by several reliable grocers that the Ward Baking Co.'s salesman informed them that the coupon would apply on the purchase of bread as well as cakes. This statement I will absolutely verify to-morrow and then will let you know what I learn further in this connection.

Doesn't it seem to you that this is kind of crooked work after I have worked for months to raise the price of bread in Danville? Do you really think it is fair?

Thanking you for what you have done for the local bakers in the past and trusting that this information will be of some little interest to you, I remain,

Yours very truly,

MUELLER-SPITZ BAKING CO.,
Per WALTER C. SPITZ.

Elgin, Ill., January 6, 1925: "Not much done there."

Springfield, Ill., January 12, 1925: "There was no trouble there."

Alton, Ill., January 13, 1925: "A get-together meeting."

Bloomington, Ill., January 14, 1925: "Bloomington tried to organize. Had a temporary organization and it remained temporary. Could not do a damn thing on prices on account of the Ward prices. Tried to get them [local bakers] to change their weights, but found it would not work in competition with the others."

The foregoing agreement on price at Bloomington is confirmed by the following letter, which also relates the difficulty the agreement was encountering, and asks for further assistance from the national organization. The letter is by J. E. Morganstern, B. & M. Baking Co., Bloomington, Ill., to Mr. Hartley, January 24, 1925:

Since you were here in Bloomington last week things have begun to happen. We raised the price of bread Tuesday instead of Monday as agreed; that is most of us did. Newmarket, Herder, Ward, and Schultz did not. Instead of Ward raising the price they put a coupon in each loaf good for 5 cents, which certainly knocked business.

We wondered if you would have any influence with Ward and Schultz by seeing them personally, as we do not wish a bread war.

A great many of the grocers are cooperating while others are lining up with Ward and Schultz. The public, we believe, is ready and willing to pay the increased price, as each of the men at a meeting held Thursday afternoon reported that they had not had a single kick from retail customers.

We will appreciate anything you can do for us.

Mr. Hartley replied, January 24, 1925, in part as follows:

Yours is but one of several letters from out-of-town bakers asking if we can do anything to help in this coupon mess of Ward's. This condition is general in the whole Chicago territory. Our old friend Jack Hines, who was western manager of the Ward Co. for many years, resigned a month ago. The fact is another big boss stepped in in New York and insisted on some of these off-side plays or something. Anyhow, Jack Hines don't conduct business that way—and now we have no friend to work with among the big bakers any more. We have it here just as you have it, and the A. & P. and Consumers' struck back this morning with 5-cent bread. * * * I would advise you to stick to your price and not let this short campaign stampede you. Schulze's would adjust with you were it not for this. I will call up the Schulze people again Monday and find out what they will do. I am indeed sorry, as this will likely undo some of the hard work we have done in the last few months. But stick it out for the other few days if you can, and we will do all we can to help you. Remember to inform me if that date for a return meeting is alright, as I would like to meet up with you again in the hope of being of some help.

Galesburg, Ill., January 15, 1925: "Got them up to 1¼ pounds at 10 cents (wholesale) to take effect a week or ten days later."

Mendota, Ill., January 20, 1925: "Illinois Valley—a get-together meeting."

Ottawa, Ill., January 27, 1925: "They fixed prices for Streator. Ottawa didn't follow, and upset the whole smear. They [Streator] were on the 1¼ pounds at 10 cents."

Granite City, Ill., February 2, 1925: "Never strong enough to get together on prices. They are affected by St. Louis competition."

Bloomington, Ill., February 5, 1925: "That was the meeting when they put through the resolution for standard weights—sent it to me to put it over in the legislature."

Concerning the foregoing Bloomington meeting, Mr. Hartley wrote C. J. Kremer, Milwaukee, member of executive board, Retail Bakers' Association of America, February 8, 1925, in part as follows:

At Bloomington things are tough. Those coupons came in the bread the day after certain among them had tried going up. Some stuck and lost volume—some didn't. It made the public suspicious. They are worried with 1, 1¼, and 1½ pound loaves. They undertake to offer a standard weight law through Mrs. Vohrer, their own and only lady senator in the house at Springfield, if the State association will back it. Just what we have desired, so it won't bear the gypsy curse of a Chicago measure. So watch if we don't yet get a standard weight measure. I sent your Wisconsin measure along—but suppose we will have Cluet on our trail. Such is life. A lad at that meeting says that Wards have shipped by rail to a small town (Lexington, I think) at 12½ for the 1½-pound loaf right along. He says he sees the bills. Alright—but we want one of the bills. Also them lads are getting desperate, and threaten to tell Mrs. Senator Vohrer (daughter of former Governor Fifer and a lady politician with a real drag) all about their trouble and invite her to make the senate chamber ring like a fire bell about it. They claim they can't be much worse off than they are, and it may discipline the big guys.

In an effort to adjust the competitive situation in a number of Illinois districts, including the Bloomington, a meeting was called by Mr. Chussler, secretary, Retail Bakers' Association of Illinois, for March 4, 1925, at Chicago, to be attended by a representative of the Ward Baking Co. and others interested in the several localities.

Referring to the invitation to attend this meeting, Mr. Morganstern, B. & M. Baking Co., Bloomington, wrote to Mr. Hartley, March 3, 1925, as follows:

We are in receipt of a letter from Mr. Chussler inviting either Mr. Gronemeier [secretary-treasurer of the B. & M. Baking Co.] or myself to meet with you on Wednesday, March 4, in Chicago. It will not be possible for either of us to get away at the present time and we regret exceedingly that we will not be able to attend this meeting.

Concerning this Chicago meeting and results, Mr. Hartley wrote Mr. Morganstern the following two letters:

CHICAGO, ILL., *March 5, 1925.*

Mr. J. E. MORGANSTERN,
The B. & M. Baking Co., 301 East Front Street, Bloomington, Ill.

DEAR MR. MORGANSTERN: We had a meeting yesterday with Mr. George Greenwald, and among other districts taken up was yours of Bloomington. I desired to know if they had any special grievances to justify the peculiar price maintained in that territory and I found they have no particular fault to find, except they naturally do not like the 20-ounce loaf.

I have another engagement to meet their western superintendent Monday or Tuesday of next week, when I will take the matter up again. I feel if we can get the Chicago manager and the western manager to recommend an adjustment in your territory to the authorities in New York, that it might carry some weight. They will probably ask that the 20-ounce loaf be discontinued. The chances are they will ask something anyhow, but we can cross that bridge when we come to it. If they won't be good and decent, believe me, if I were in your place I would tell Mrs. Vohrer the whole of the circumstances and let her play the tar out of them in the senate.

Anyhow we will see if further work will not attain an adjustment.

CHICAGO, ILL., *March 13, 1925.*

J. E. MORGANSTERN,
The B. & M. Baking Co., 301 East Front Street, Bloomington, Ill.

DEAR MR. MORGANSTERN: I believe you know that we had a delegation from Illinois and Indiana meeting with the South Side bakers and Ward Baking Co. last week. They promised they would take up with headquarters our contention that they are doing an evil thing in holding down in this aggressive way to below a fair price in a few isolated cases in this State and Indiana. One of the eastern officials was in the city at the time and, although he himself took the word back to New York, we find that an answer has been received stating that there would be no adjustment at this time.

I am indeed sorry that we have again failed to bring some relief to your people of the Bloomington district, and were I you I would take my story to Mrs. Vohrer, and were I a politician and had her opportunity, I would address my colleagues in the legislature and demand an investigation of these foreign corporations that incidentally oppress certain citizens of the State.

You have everything to gain and nothing to lose.

Galesburg, Ill., February 9, 1925: "Follow-up meeting. To give them a little encouragement. At that time they were working under the new agreement, and reports were that they were going pretty well."

The following letter in preparation for the foregoing meeting at Galesburg relates the price situation and the assistance expected of the secretary of the national organization, Mr. Hartley, to whom it was written by Earl Randall, The Bake Shop, Galesburg, February 4, 1925:

Our meeting will be held as we aıranged, next Monday, February 9, 1925. We are depending to [on] you for a talk. We are progressing as well as we expected, but the wholesale people have trouble as some of the out-of-town bakers have not raised as yet. Canton is still making the 5-cent loaf.

Make a special effort to be with us.

Mr. Hartley replied, February 6, 1925, as follows:

Your note received reminding me that I have a date at Galesburg on the 9th, and I will be there probably about 1 o'clock as I don't want to take the night train if I can help it. Hope we have a good turnout. And I must leave on whatever train leaves there and will get me the quickest to Hastings, Nebr.

Ottawa, Ill., February 11, 1925: "I went to try to straighten out the flop in Ottawa—between Ottawa and La Salle. I got it fixed up, and then Streator flopped before it went into effect, and killed the whole thing."

Kankakee, Ill., February 16, 1925: "Could not get anywhere on account of Ward's competition. They have a little organization there, but it doesn't amount to much."

Urbana, Ill., February 17, 1925: "They had an organization—Urbana and Champaign—and I got them into the State [Associated Bakers of Illinois]."

Danville, Ill., March 4, 1925: "A little follow-up meeting. They were going along all right; everything rosy."

Champaign, Ill., March 5, 1925: "A follow-up meeting."

Kankakee, Ill., March 12, 1925: "Follow-up. Found out we could not do anything. The boys were afraid to go ahead on their own hook on account of Chicago competition, mostly. Momence [Ill.] comes in there and were ready to ride along; but could not get the other fellows to do it."

Springfield, Ill., May 6, 1925: "A convention [State] meeting."

Alton, Ill., May 7, 1925: "Another meeting of the western-central; we are trying to hold together."

Mount Vernon, Ill., May 21, 1925: "Another meeting of southern Illinois."

Referring to later meetings, Mr. Chussler continued:

Following these [i. e., the 37 district meetings held by the State organization up to the June, 1925, convention], I have not got them doped out. I had three meetings at Waukegan, Ill. Tried to get them up on sweet breads, and finally succeeding in getting them to 20 cents. [Increase from 18 to 20 cents per dozen—rolls.] And north Chicago flopped. Too many foreigners there. That was in July, about the 24th, I believe. Another meeting in August and another in September.

The July meeting at Waukegan, mentioned by Mr. Chussler, was held July 21.[2] In a letter to George Wuller, Belleville, Ill., August 3, 1925, he says of it:

Have another meeting in Aurora to-morrow night. We had another nice meeting in Waukegan on last Thursday [Tuesday (?)] evening. So far they have 16 bakers lined up in their group, and we got in pretty solid because we cleaned up some trade troubles for them.

This Waukegan meeting is reported in Bakers Weekly (August 1, 1925, p. 72). The meeting effected the organization of the Lake County Bakers' Association. The Bakers Weekly report of this meeting includes among those in attendance the name of L. A. Rumsey, then director of the trade promotion department of the American Bakers' Institute and later secretary of the American Bakers' Association. The following is a paragraph from the report:

Before closing, Dr. L. A. Rumsey congratulated the bakers on perfecting the organization within their competitive area. He said that hereafter "instead of worrying about what the other fellow is going to do, you know what he is going to do." He offered the services of the institute, if they could ever be of use, and invited the district bakers to attend the meetings of the Chicago Dough Club that will be held in the fall and winter.

Meetings of a similar nature continued through 1925, according to the statement of Mr. Chussler, some of which were referred to as follows:

We had another meeting in Sycamore, and another in Aurora, in August. They began stopping [price cutting] in Aurora on small stuff—not bread.

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[2] Date given in report of meeting in Bakers Weekly, August 1, 1925, p. 72.

Then we had a very good meeting in Elgin on October 6. There was no discussion, except about the Ward cut. They disregarded it [the cut] in Elgin; and in Aurora and Joliet they followed it.

We had several meetings at Freeport; several at Moline; one at Rushville, Ill.; another at Paris; another at Champaign; and one at Rockford, Ill., on December 1, 1925, where we gave them hell on premiums.

The following are excerpts from correspondence regarding the foregoing meetings at Aurora, Elgin, and other points in Illinois.

Mr. Chussler to Bakers' Helper Co., August 5, 1925:

We had a very nice meeting in Aurora last night and are slowly getting these boys over some of their rough spots. Last year this aggregation loomed as the greatest little district group ever welded together and then, oh boy, they just started to snap and backbite in order, I imagine, that the State association would have something to do. Nevertheless, things look ever so much better than they did six months ago. This is of course the object of this note. It is with reference to the October 6 meeting. Wish you would carry this in your list of meetings, and when I get the details as to place and time I will forward it to you. We believe that these boys can get along just as well with quarterly meetings of the Fox River Valley Association and hold monthly meetings of their own in the cities that are affiliated, like Aurora and Elgin, and then try every quarter to have a real get together of the bakers of the entire valley.

Mr. Chussler to Lorenz Weber, secretary, Rockford Master Bakers Association, Rockford, Ill., October 9, 1925:

We had a very nice meeting in Elgin last Tuesday and were sorry that you did not get there. Several of the boys from Rockford were over, but I guess the rain scared the large part of them. Peterson and Asprooth were there, and they were looking for the rest all the while, but of course they never showed up.

Expect to have another meeting in Freeport on the 28th and will let you know just as soon as the definite arrangements are made.

Mr. Chussler to John M. Hartley, secretary, Associated Bakers of America, Chicago, October 9, 1925:

Am pretty busy these days. Had a fine meeting in Elgin on Tuesday. Gene was there and believe he would like to get in touch with you. He has a date with me for the last week of this month, and he wants to be sure you do not call the executive board meeting of the national for the same date. Will have a meeting in Freeport on the 28th and one in Rock Island on the 29th, and he has promised Charles Korn to come to Rock Island, and I am going to try and persuade him to make two days of it and come over to Freeport for that meeting.

One of the above cases of price agreement, involving the shipment of bread to and sale in a State other than that in which baked, is worthy of further consideration. A visit of the commission's agent at Galesburg, Ill., confirmed the statements of the secretary of the Associated Bakers of Illinois in regard to the meetings held there January and February, 1925. It was learned that early in 1925 the bakers there, together with a number of bakers in the surrounding territory, had agreed to maintain a 20-ounce loaf at 10 cents wholesale. This weight and price appear to have been uniformly maintained up to about the first week in October, 1925, though there had been some rebating and other competitive trouble. About this time the Schulze Baking Co., Chicago, began shipping bread by express from its Peoria plant to Galesburg, a 20-ounce loaf, wrapped, selling wholesale at 8 cents. This price was met by the Galesburg bakers. It seems, however, that Schulze continued in the Galesburg market only a few weeks; but it was long enough to "break" the Galesburg price situation.

Following the price cut in Galesburg, the Nafziger Baking Co., Kansas City, Mo. (now a subsidiary of the Purity Baking Corporation), began shipping bread into Galesburg from its plant at Burlington, Iowa, selling wholesale a 16-ounce loaf for 8 cents and later a 14-ounce loaf for 7 cents. For a time also the firm gave one loaf free for one sold. Finally, in December, 1925, a wire was sent to Mr. Chussler, secretary of the Associated Bakers of Illinois, to come to Galesburg to see what could be done to "straighten out the situation."

A meeting was held at Elks' Club, Galesburg, December 17, 1925, at which were present a number of the Galesburg bakers, a few bakers from surrounding territory (Illinois) and two representatives of the Nafziger plant, Burlington, Iowa. At this meeting it was agreed that the Galesburg bakers would "go to an 18-ounce loaf, wholesale 8 cents." It was desired to reduce the loaf to 16 ounces for 8 cents, but because of the absence of some of the members of the local, it was finally decided to hold another meeting on January 21, 1926. The meeting was held on that date, but the results are not known.

It was thought necessary to have Nafziger represented at the December meeting, because they reached by truck a number of places served by the Galesburg bakers. It was reported that the Nafziger representative was willing "to go along" with the others and agreed to "do what the others thought was right."

Section 3. The Tri-Cities Master Bakers' Association.

This association is composed of bakers of Davenport, Iowa, and Rock Island and Moline, Ill. Prior to its organization in December, 1924, the bakers of these three cities were associated as a club. According to the minutes of the association its organization was made permanent at a meeting at the Harper Hotel, Rock Island, Ill., December 29, 1924. Besides showing the names of the bakers present, the minutes of this meeting state that J. Quinlan, of Rock Island, was elected president; Matt Pepping, of Moline, vice president; and W. F. Barth, of Rock Island, secretary and treasurer.

For some months prior to the organization of the association the bakers of the Tri-Cities were meeting with increasing flour costs and were advocating higher bread prices. The following is a letter addressed to the bakers of the Tri-Cities by W. H. Korn, manager of the H. Korn Baking Co., Davenport, Iowa, and formerly president and at this time member of the board of governors, American Bakers' Association:

H. Korn Baking Co.,
Davenport, Iowa, August 22, 1924.

To the Bakers of the Tri-Cities:

No one can predict what the price of flour will be. More than a dollar has been added to the price already. There are many thousands of barrels of flour used monthly by the bakers. Just that many thousands of dollars are lost by the bakers. You may have a supply of cheap flour but that's no reason why you should not take this opportunity of adding to your profits. Of 45 bakers distributed over the United States who report monthly to a central bureau [W. E. Long Co. Chicago, Ill.], the average price received per 100 pounds was $7.25. Korn Baking Co. received only $6.75, or 50 cents less than the average. Seven of the forty bakeries were below the average. Looks like the Tri-City bakers were in business for their health only. Raise the price while the market is up. You will not have the sympathy of the public when the market declines. Now is the time. Let's get together on this at once.

Yours truly,

W. H. Korn.

On Monday, December 22, 1924, the price of white bread scaling 22 ounces in the dough (about 20 ounces baked) was raised from 8 cents wholesale to 10 cents, and from 10 cents retail to 13 cents. Most other breads were raised proportionately.

The meeting of bakers at which the increase of prices was agreed to was held at the Harper Hotel, Rock Island, Ill., December 18, 1924. Among those present, according to the statement of one who was present and confirmed by another attending, were the following bakers: W. H. Korn, E. N. Haglund, Hans Walcher, and C. Beyers, of Davenport; W. F. Barth and John Quinlan, of Rock Island; and Matt Pepping, W. F. Peters, and C. Meyers, of Moline. This same party stated that the new schedule of prices had been considered at a previous meeting and at this meeting the prices were read off and adopted by a rising vote. The following is a copy of the circular announcing the schedule of prices agreed on at this meeting and appearing on the day following:

DAVENPORT, IOWA, *December 19, 1924.*

The following schedule of prices on bakery products will go into effect in Davenport, Rock Island, and Moline, Monday, December 22:

All standard white bread to be scaled 22 ounces in the dough to be sold at 10 cents the loaf wholesale, and 13 cents or 2 for 25 cents retail.

Dark breads such as rye, black, graham, whole wheat, etc., to be scaled 20 ounces in the dough and sold same as standard white bread above.

White raisin bread to be scaled 20 ounces in the dough and sold at 12 cents wholesale and 15 cents retail.

All weights of Pullman bread to remain as scaled at present and the price increased 2 cents per loaf.

	Dozen	Wholesale	Retail
	Ounces	*Cents*	*Cents*
Plain round buns, scaled	18	12	15
Coney Island, do	18	14	18
Finger rolls, do	18	14	18
Hard rolls, do	20	16	20
Poppy seed rolls, do	20	16	20
Parker House rolls, do	18	16	20
Cinnamon, do	18	16	20
Coffee cake, scaled, not over	14	16	20
Sugar-raised doughnuts	18	20	25
Berliners	18	25	30

On Monday, December 22, 1924, the Rock Island (Ill.) Argus published in its news columns the following announcement:

LOAF OF BREAD RISES 3 CENTS IN COST TO-DAY

BAKERS AGREE ON BOOST BECAUSE OF CONTINUED HIGH PRICE OF FLOUR AND LARD

In keeping with the general upward trend of food prices Rock Island bakers announced to-day that they would boost the prices of their bread from 10 to 13 cents a loaf, starting to-day. This raise in price has been contemplated by the bakers for some time. but action was not previously taken because it was hoped that wheat prices would soon drop to a normal level and an increase in the retail price would not be necessary. However, it was decided Saturday that with the continued high quotations of wheat, it would be necessary to raise the cost of the 20-ounce loaf 3 cents.

All wholesale bakers in the city were unanimous in their decision to boost the price to 13 cents, feeling that it would be impossible to put the bread on the market and make a reasonable profit, taking into consideration the present cost of wheat.

AFFECTS TRI-CITIES

Davenport and Moline bakers joined those of Rock Island in making the increase. It does not affect the brown breads, for which many bakers have been charging 13 cents, and this price will continue. The regular white loaf, for which 10 cents has been charged, however, will now be 13 cents. Some of the chain bakeries have been getting this price, and they are not included in the rise.

Mr. Korn's comment to the commission's agent on the price agreement of December 18, 1924, was in substance as follows: That the bakers of the Tri-Cities met December 18, 1924, and agreed to raise the price of bread and get into line on their sweet goods; that it would be suicide for him or any other baker to attempt to advance his prices unless he was assured that the others would go along; that he could see no wrong morally, legally, or economically in such agreement as long as the price was not exorbitant; that it was his recollection that previous to the meeting of December 18, a committee composed of one or more representatives from each of the three cities made a survey of prevailing prices.

Attention is called to the fact that parties to this agreement were competitors located in two States and that bread baked in one State and sold in another was involved. Attention is also called to the circular to the trade announcing the new schedule of prices, which included not only wholesale prices to the retailer but prices at which the retailer was to sell to the consumer.

Beginning with the meeting of December 29, 1924, when the bakers were reorganized into the Tri-Cities Master Bakers' Association, minutes were kept of the first four meetings. The second meeting was held at the LeClaire Hotel, Moline, Ill., January 14, 1925. The minutes show who were present and include this item:

At this meeting the question of dues came up, 50 cents per month per oven payable quarterly, $1 initiation fee; agreed.

The date of the third meeting is not given in the minutes. Besides the names of those present, the following item appears:

At the last meeting held at the Harper Hotel considerable discussion took place as to reducing the size of the loaf, but majority of those present favored the present size loaf.

The fourth meeting was held February 24, 1925, at the Black Hawk Hotel, Davenport, Iowa. The following appears in the minutes:

All officers except Matt Pepping present. Considerable time was spent in arguing the price of hot cross rolls. On motion of Meyers, seconded by Korn, the price of 16 cents wholesale, 20 cents retail was agreed upon. Retailers had their inning, those who make the "Heishe Wicken" agreed to hold the price of 35 cents per dozen during the Lenten season.

Section 4. The Bakers' Club of Chicago.

Bread prices at Chicago in recent years have on the whole been higher and more stable than in other Middle West territory and somewhat higher and more stable than in many other large cities. There is evidence that bakers have been better organized in Chicago than in most other large cities.

In 1911 or thereabouts the Bakers' Club of Chicago was organized, principally because of labor trouble which the bakers of Chicago had long been having with bakers' and drivers' unions. The club is unincorporated. Its stated objects are to promote the interest and encourage good fellowship in the baking industry of Chicago, to encourage

high ethical standards in the business, and to increase the efficiency of each member by the interchange of ideas and business methods.

The club began with a membership of six or eight baking firms. In January, 1925, it had a membership of 11, including all the larger wholesale baking companies.

For several years after its organization the club had no formal regulations. In February, 1923, the organization adopted the constitution, by-laws, and rules under which it now operates, except for some slight changes since made.

Article 3 of the constitution defines membership qualifications. So far as could be ascertained, there have never been any expulsions under the provisions of this article. Two Chicago bakers, members of the club, several years ago withdrew because they were running union shops, and did not care to go along with the club in its fight against the unions.

The only formal resignation, at least since 1921, was that of Max M. Wolfarth, president Heissler & Junge Co. Under date of November 1, 1924, he wrote the club as follows:

BAKERS CLUB, M. L. LIVINGSTON, *President*,
Chicago, Ill.

DEAR SIR: I herewith tender my resignation as a member of the Bakers' Club. I do this, as certain actions that may be taken by me would not be satisfactory to some members of the club. Therefore it would be well for me to withdraw.

Mr. Wolfarth in explanation of his resignation stated to the agent of the commission: "I did not want to be bound in any way to go along with them [other members] and have to apologize afterwards when the damage had been done."

Article 5 prescribes the duties of officers. A paid secretary is employed whose principal duties appear to be to maintain an office for the club and conduct an employment agency for its members. The secretary is required "to keep records of business transacted." The minutes of meetings, however, are poorly kept and by no means complete. In the loose rough notes of the secretary there are indications of meetings held for which no minutes were written up. His explanation of this was that he had never been directed by anyone to keep minutes, nor told what to write up, nor what not to write up, nor had he ever been called upon to read the minutes of the previous meeting. The books of account for the club are kept in the office of the secretary. Checks in payment of bills are drawn by the secretary and signed by the treasurer.

Article 1 of the by-laws provides for monthly meetings of the club. It was stated by the secretary, however, that sometimes two meetings are held in a month and again only one meeting in two or three months. Meetings are called at the direction of the president and members notified by telephone or postal card.

A membership due of 75 cents per month per route, payable monthly in advance, is required by article 4, section 1.

In reference to the duty of the secretary, as prescribed in article 4, section 3 of the by-laws, "to investigate all complaints or violations of the rules and regulations of the club," the secretary stated that he had never been called upon to make any such investigation.

Article 12 of the by-laws reads: "Such contracts as concern the members as a body are to be signed only at a meeting of the club after proper action has been taken by the organization." This

article, the secretary stated, has reference to any contracts made by members of the club with various labor unions. The following are the rules of the club:

RULES

1. No special assessments shall be made upon the members, except by a vote of the club, and only upon the affirmative vote of three-fourths of the members.
2. No help shall be employed or negotiated with by any member of the club while such employee is in the service of any other member of the club, or for a period of not less than one week subsequent to the termination of such employment.
3. No help shall be employed by any member of the club who has been previously employed by any other member of the club without first securing from such member a record of the services of such employee.
4. No sales driver employed by any member of the club shall be permitted to operate for a period of six months thereafter, over any territory previously covered by him while in the employ of any other member of the club.
5. No restaurant bread weighing 1½ pounds shall be made which exceeds 20 inches in length.
6. No member of the club shall give, donate, or in any manner supply any dealers, customers, or employees of same with bread or bakery products, except at their regular prices. Exception is made to this rule for demonstrating or advertising purposes with new or prospective trade, and then only a total of two large and two small loaves will be given free and for a period not to exceed two days in any year, and the same exception is made on the introduction of a new loaf of bread, where the equivalent of two large and two small loaves of bread may be given to a customer for a period not exceeding two days. The club may at its discretion permit exceptions to this rule in territory agreed upon.
7. Information regarding the indebtedness or credit status of any customer buying from any member can be obtained by other members of the club by applying to the secretary of the club. It being undertsood that such information is to be furnished to the secretary by members, and to substantiate such information the books of the members are to be open for inspection by the secretary.
8. The number of trucks used for making Sunday deliveries by any member of the club shall not exceed 15 per cent of the total number of routes of such member.

Rule 1 makes provision by special assessment for additional funds as needed over and above the regular monthly due of 75 cents per route. The rule as given above is as originally adopted but has since been revised. (See below.)

The "Cash report" for one recent year showed receipts of nearly $14,000. For another year, ending October 31, 1924, over $7,000 receipts are shown of which $3,664.48 was expended to combat the Indiana bread return law. The following is from the minutes of a meeting of the club held May 4, 1923:

Voted that the legal expenses to combat the return bread law in Indiana be apportioned by the members affected on the basis of the number of routes pro rata.

Of the six members affected the Ward Baking Co. had more than one-half of the routes in Indiana operated by members.

The attorney employed by the club to contest the law, in submitting his bill wrote the Chicago manager of the Ward Baking Co., January 8, 1924, as follows:

Inclosing bill, which pursuant to your instructions I have made out to the Chicago Bakers' Club to be apportioned among the concerns involved therein. After the amounts have been adjusted as among the several parties, and you advise me, I will either bill the Ward Baking Co. direct for its proportion, or you may attend to that yourself. * * *.

I feel that this was a great piece of work, which I am sure has resulted in the complete satisfaction of the Chicago concerns who were affected by the enforcement of this law.

One member, however, the Gordon-Pagel Co., declined to be obligated by the assessment. On July 10, 1923, the firm had written the club as follows:

To The Bakers' Club,
(Attention Mr. Fitzgerald).

You will remember when I called on you sometime ago and advised you that we are not entirely satisfied with rule No. 1 (special assessment) in the new club constitution, that you told me you would have a meeting called through Mr. Livingston to discuss this rule. I have heard nothing since regarding such a meeting and am interested to know what disposition has been made of this matter.

We would like to have it understood that we will not be bound by this provision of the rule, and so as to avoid any misunderstanding or conflict, we believe it would be best to change this article so that everyone will be satisfied with it.

Gordon-Pagel Co.
By E. Solomon.

At a meeting of the club, October 25, 1923, rule 1 was so amended as to require a unanimous affirmative vote to levy a special assessment. The amended rule reads:

Special assessments shall be made upon members of the club only upon an affirmative vote of every member present, and notice of the meeting at which special assessment is to be voted on is to reach each member not less than 48 hours before such meeting.

But the special assessment having been made prior to the action amending the rule, Gordon-Pagel Co. on February 7, 1924, following the billing of the members of the club for their respective shares of the legal expenses incurred in the Indiana case, wrote the club as follows:

We have given the matter of the special assessment for legal expenses in the State of Indiana further consideration, and have come to the conclusion to live up to our original notice to you. We requested not to be mixed up in the court matter in the State of Indiana, and consequently decline the assessment for this work.

Gordon-Pagel Co.
E. Solomon.

Rule 5 placing a limit on the length of a 24-ounce restaurant bread was explained by one member as follows:

I get out a certain length of bread. Some house's policy is not to give discounts. At the same time, if they could make their bread an inch longer, they would have a good talking point. I don't like that. I might lose a customer; and I would naturally have to get that customer back; and to do so, I might make a loaf 1 inch longer.

Rule 6 would appear to forbid rebates, discounts, coupon giving and the giving of free bread except in a very limited way. Exceptions may be made to this rule of the club in agreed upon territory. It was admitted by members that the rule had been violated, but its adoption must be interpreted that in the judgment of the club the rule was fair and proper.

One official stated that at several meetings there had been considerable discussion with regard to discounts, that there were charges and recriminations about some of the members having given discounts to some of their trade. Usually these discussions had to do with discounts given by those members whose business was mainly, if not wholly, with the restaurant trade in Chicago.

Another official made this statement:

Discounts came up frequently at the meetings. We know pretty well what the other fellow is doing—from talking with his men, and with his customers every day. You can not help but finally getting a pretty good layout as to how a man is conducting his business. Discounts have been brought up in this way. Sometimes they (some of the members of the club) would want names, and I could not help laughing.

Late in 1924 after an effort had been made by certain of the Chicago bakers to advance prices of sweet stuff and the cooperation of the Ward Baking Co. had been sought, the following wire was received from the latter company: "Nothing doing. How about discounts? Are they 100 per cent clean in Chicago?"

The explanation for the existence of rule 7 offered by one member as follows is not wholly satisfactory:

We are in very close competition. There are lots of men in the restaurant business, and possibly their ideas of honor may not be 100 per cent. The great majority of them are fine men; but some of them might run up a bill on a baker and then when the baker would come around for his money, they woul throw him out, and then run up a bill with some other baker. Personally, I have made no use of that rule. We are a small company, and if we can not find out, we deserve the worst of it. We belong to a credit association, and get that kind of information easier from our credit association.

Nevertheless such a rule (7) might easily be made the method whereby information is secured to determine the basis of agreements or to determine whether the terms of agreements are being observed.

Rule 1 of "Rules pertaining to donations, advertising, etc.," forbids the use of premiums, novelties, or gifts of any kind as a means of influencing the sale of products.

The following minutes of the club show its action pertaining to Sunday deliveries of its members and returns of bread and coffee cake:

February 9, 1922: Voted that on and after Sunday, February 19, 1922, any firm so desiring can make Sunday deliveries in territory bounded as follows:
Northward—The city limits.
Southward—The Chicago River.
Westward—The North Branch of the Chicago River.
Eastward—Lake Michigan.

November 14, 1922: Voted that a notice be displayed on the bulletin board of all bakeries informing sales drivers that the percentage of stale bread must be reduced. Also voted that the secretary visit all plants to see that this motion is complied with.

February 22, 1923: Voted that the following notice be posted upon the bulletin board of all plants not later than Thursday morning, March 1, 1923:

"All salesman are expected, starting this week, to operate their routes without any returns on coffee cake. Should there be an occasional return of coffee cake no credit will be given without the O. K. of the sales manager."

In regard to activities of the club in respect to prices for wrapped bread sold at wholesale in Chicago territory, the members of the club admitted that prices were sometimes discussed at meetings. One of the members described the method of raising the price as follows:

At some meeting of the club, one of the members present, and usually one of the smaller members, would raise the question as to whether or not bread could be made at such and such a price (the price then obtaining). Some of the other members would then make a remark to the effect that they could not discuss prices, etc. Perhaps at the very next meeting, some other member, and again one of the smaller ones, would get up and raise the same question; and at this time perhaps two or three of the others would become a little more interested in the subject. Still nothing would be done. Then at another meeting, perhaps the next, or the second or third meeting thereafter, one of the larger members—sometimes, and usually, Ward's representative, and sometimes Schulze's repre-

sentative, or perhaps Livingston's (M. L. Livingston, usually), would get up and make a statement to the effect that, beginning on such and such a day his company was going to have such and such a price.

This member also stated that he sometimes used to wonder if some of the smaller bakers did not make their inquiry as to whether bread could be made at such and such a price, with the knowledge of one of the larger members. Following the war and up to, say, 1921, there were several such changes, according to this member.

Since April 25, 1921, until October 1, 1925, the wholesale price of the wrapped pound loaf for the larger Chicago bakers has been 8½ cents except for the six-week period from January 18, 1922, to March 2, 1922, when the price was 7½ cents. This lower price, it was stated by one of the members, was due to the fact that one member of the club thought he saw a chance to get a lot of business. It was to forestall this effort that the others went to 7½ cents. When this member had enough and quit, they all went back to 8½ cents.

The changes in price beginning and closing this six-week period were made on exactly the same day by members of the club and were identical. One of the members stated concerning his own policy at the time of a price change: "I could not raise unless it was unanimous; no one ever took individual action."

The return to the 8½-cent price by the Chicago bakers, March 2, 1922, is discussed in the following correspondence:

MINNEAPOLIS, *March 6, 1922.*

MR. JOHN HARTLEY,
Secretary National Retail Bakers' Association,
Care of Bakers' Weekly, 343 South Dearborn Street, Chicago, Ill.

DEAR MR. HARTLEY: It has just come to the writer's attention that the Chicago bakers advanced their bread prices 1 cent per loaf on March 3. The bakers in Iowa, which is the territory the writer is interested in, are, as you know, having a severe price-cutting war, and it would seem to us that if the bakers in Chicago can get away with a bread price advance that the bakers in Iowa ought to be able to do the same thing.

If you could give us any information as to how the advance in bread prices was brought about and whether or not the small retail bakers were in any way instrumental in getting the big bakers into line, we would very much appreciate it, as we want to take the matter up with our Iowa sales organization and start some propaganda along the lines of higher bread prices in a way that will do the small bakers the most good.

Any information you can give us will be very much appreciated.

Very truly yours,

PILLSBURY FLOUR MILLS COMPANY.
H. S. BROURI.
Iowa Sales Department.

CHICAGO, *March 10, 1922.*

H. B. BOURI [H. S. BROURI],
Iowa Sales Department, "Pillsbury," Minneapolis.

DEAR MR. BOURI: Just returned from Cincinnati and found your letter. In Chicago we have several local associations. The wholesalers have the "Bakers Club," or "Big 15," as we call them. The retail associations are separate, but we all work together when [there is] anything of mutual importance. However, the Big 15 made that raise off their own bat. I haven't been able to see any of them, but the drivers through this district—and I know them all—claim that they are going right along without any drop. The retailers have been spotted in price, many of them selling for 8 cents standard pound loaf. I, and most of the others, sell for 9 cents, while some never left the 10-cent price. The tendency now will be to raise the general price to meet the wholesale. Our big trouble lays in a group of smaller wholesalers who always figure on cutting below the recognized

price. Gradually we have grown to accept them, and we ignore them to a greater extent as the days go by. But they are there—a peg on which any other baker can hang an excuse for not going along.

It is only in cities where the bakers work together with some unity that decent conditions can be maintained. For once the big bakers were caught strictly on the market, and the last advance left them badly in the red-ink column. Had a fair few of them had a big quota of low-priced flour—blooey! The only thing Iowa bakers can do is to organize locally, the best for them will be a zone system under the State association. Then if the salesmen through the State would start a quiet but persistent argument for better prices, the cumulative effects would be good. If I can get any authentic word from any of the firm officials as to the effect, I will send along to you. Your Mr. Hutchinson here is right close to the Big 15, and he may be able to supply you with some real news. I am distinctly sorry for the Iowa bakers, they are in an impossible position.

Yours sincerely,

JOHN M. HARTLEY.

That the American Bakers' Association and the Council of Baking and Affiliated Organizations, which is closely affiliated with the association, were ready to offer their assistance to avert bread wars in Chicago and Chicago territory is shown by the following correspondence. B. B. Grenell, president of the council of Baking and Affiliated Organizations, Chicago, to H. E. Barnard, Chicago, December 6, 1922:

The Council of Baking and Affiliated Organizations has learned with regret and concern that a trade conflict in the baking industry appears to be threatening Chicago and the surrounding districts. At its meeting yesterday the council discussed this matter at considerable length and asked me to express to your organization our hope that such a bread war may be avoided and offering the good offices of the council, if you think the council could be of any help, in endeavoring to compose the differences that apparently exist among several baking corporations at this time.

We feel that such a conflict in a large metropolitan district at this time would be far reaching in its effect and, perhaps, disastrous to a good many businesses. Such a war gives wrong ideas to the public and undermines their confidence in the baking industry and its methods.

In discussing this subject the members of the council felt that such conflicts could in most cases be avoided if baker organizations would define more definitely what constitutes ethical and unethical conduct in marketing bread. If it could be clearly understood that the selling of bakery products at less than cost is not countenanced or practiced by the larger and better bakers, furthermore that the selling of any baked goods by any one concern at a lower price in one market than the same concern sells the same goods for in another market is not considered right except where a higher price can clearly be traced to a higher cost of production or distribution, it might be possible to elevate gradually the whole baking industry to a point where such trade conflicts are eliminated. It is not possible or desirable to establish uniform prices for bakery products, but it is possible for the leaders in the industry to show by their practice as well as by precept that they consider the slashing of prices in one market, or the giving of secret rebates, or making other concessions, is considered unethical, unless the concern openly makes such prices or concessions in all markets where it is doing business.

I am sending this communication to you in accordance with instructions voted by the council yesterday.

H. E. Barnard to Mr. Grenell, in reply, December 14, 1922:

A copy of your letter of December 6, in which you as president of the Council of Baking and Affiliated Organizations outlined the possibility that a trade war may break out in the Chicago district, was forwarded to me at New York, and I took the liberty of discussing the matter with Mr. Rabenold, our general counsel, and with other members of our association. The feeling was expressed that any trade conflict in Chicago and vicinity would be disastrous. The view was also expressed that no such conflict would start. I certainly hope this is true.

I am referring your letter, together with the resolutions adopted by the council, to Mr. Stritzinger, the chairman of our committee on trade and industrial relations. May I assure you that in addition to any action he may take I shall be glad to cooperate with you in any way which will forestall any possible conflict among the interests in Chicago territory.

The secretary of the Associated Bakers of America, John M. Hartley, Chicago, holds that there has been a "maintenance of an artificial price" at Chicago. Writing to L. F. Bolser, Excelsior Baking Co., Minneapolis, November 24, 1925, he says:

We committed an economic misdemeanor in Chicago when the bread price was retained at war prices in low-cost years, and most of the troubles in this market can be traced to this maintenance of an artificial price. It invited heavy chain-store competition and invited expansion and inefficiency in operation and various other of these weakening business maladies.

As noted above (p. 145), six members of the Chicago Bakers' Club had early in 1924 routes into Indiana, routes in some cases going to the same localities or to cities where members had plants. In answer to a question as to whether the Chicago prices (prices of the members of the Chicago Bakers' Club having routes in Indiana) applied to this Indiana territory, one member said:

Chicago prices would apply to Indiana territory covered. Always have, so far as I know. No variations.

What was true of Indiana is apparently true of routes out from Chicago into other States. Chicago prices seem to apply where it is possible to maintain them. At some outside points local bakers fixed the price and members of the Chicago Bakers' Club followed. And this was how it was done, according to the statement of the person through whom the agreement was negotiated:

We had this agreement with the Chicago Bakers' Club—that any time prices were wrong there would be an adjustment. For instance, take Joliet. Say they were getting 7 cents and needed 8 cents. If Joliet bakers wanted to get 8 cents, that was their business. So we had this agreement, "Let the local bakers fix the price, and we will follow."

* * * * * * * * * * * The local fellows would meet and arrive at a conclusion. They would go out and raise prices. Then the driver from Chicago would run across that price, and he would phone it in—which it was his business to do, and his boss would give notice—serve notice that their prices would be the same the next day. But don't think that they didn't know about it as soon as we knew it. And they didn't let their men increase their order. It was always understood that business would be kept at a level as between the different bakers—strictly illegal.

[See also sections 5 and 6 of the Ward-Kappus price agreement relating to the local bakers prerogative of "making the market," p. 75.]

Where two or more members of the Chicago Bakers' Club operated in an outside city these often acted together to inflict punishment on a local baker who refused to go along with them. The Gary Baking Co., Gary, Ind. (now owned by the Continental Baking Corporation) has had an agreement with Chicago bakers, so it appears, since 1919, whereby Chicago prices were effective at both Gary and Hammond, Ind. One who has known intimately the baking situation at Chicago for many years says:

The Gary Baking Co. has been working in thorough conformity with the Chicago Bakers' Club on any question affecting territory or price ever since 1919, and that is not maybe.

It was because of this agreement, this member stated, that the Calumet Baking Co., Hammond, Ind. (now owned by the Continental) lost out in its fight in 1923 with Chicago bakers. First one of the members of the club and then another would take up the fight, the Gary Baking Co. taking its turn with the others offering free bread, coupons, etc. Settlement was finally reached at a meeting in the offices of the American Bakers' Association of members of the Chicago Bakers' Club and a representative of the Calumet Baking Co.

Profits on Chicago bread sales compared with profits on same bread in near-by cities.—Continuously high profits on bread sold in one locality and continuously low profits or losses on the same bread sold by the same firm over the same period in another locality does not of itself prove the existence of price agreement in the locality where high profits are shown, but it is evidence of a very different state of competition as regards the two localities and is significant in the light of such facts as have been recited above.

The financial records of the Ward Baking Co. for the years 1922 to 1925, inclusive, show many cities having agencies to which the company shipped bread from its Chicago plants, which was sold at a loss during much of the period and in some cases during the entire period.[3] Cities of this sort are Racine and Kenosha, Wis., Urbana, Danville, Champaign, and Bloomington, Ill., and Michigan City, Ind. There is evidence that agreements on prices were made or attempted at some of these points but they were probably of short duration.

On the other hand, profits are shown on Chicago bread sales for the three Chicago bread plants for each of the five years, 1920 to 1924. Each year is made up of 10 accounting periods. One of the three plants shows a profit on its Chicago bread sales for every period during the five years and a second plant for every period but one. In 1925, however, one of the three plants incurred a loss for the year and the profit of a second was small. Harmony between Ward and other Chicago bakers was less apparent during this year in that coupon giving and rebating were more common, and on October 1, 1925, Ward reduced its bread prices in Chicago while other firms nominally maintained their prices, giving discounts where necessary to hold the trade.

Bread shipped from Ward's Chicago plant to Gary, Ind., where the principal local baker has had an agreement with the Chicago bakers to maintain prices (see p. 150 above) was also sold at substantial profits during the years 1922 to 1925, inclusive.

Section 5. Indiana Bakers' Association.

Organization.—The Indiana Bakers' Association has been in existence for several years. It maintains offices at Indianapolis, Ind., in charge of a paid secretary, C. P. Ehlers. It functions largely through close contact with and cooperation of its own members, and also has worked in harmony with numerous district and local groups of bakers who in turn function through their own bakers clubs.

[3] These losses do not include any considerable part of those arising from giving away bread or selling by the coupon method. The latter are regarded in the company's accounting as advertising expense and are charged against a reserve created by a uniform charge against the bread production of all plants. Consequently when such losses on bread sold in a given locality exceed this uniform charge the excess loss does not appear on the company's books as loss on this particular bread.

The secretary of the Indiana Bakers' Association has maintained a rather close and intimate contact not only with the members of his own organizations but as well with these local clubs. In this way, although the membership in the Indiana Bakers' Association numbers considerably less than 200 bakers, its influence is felt by many bakers in the State of Indiana who are not actual members of the State organization.

In order that the commission might secure as much information as possible regarding competitive conditions, cooperation was sought from the secretary of the Indiana Bakers' Association. Secretary Ehlers willingly and freely made available to a representative of the commission correspondence and other data in his office. Examination of these records disclosed considerable information relating to competitive conditions existing among the bakers of Indiana.

The secretary of the Indiana Bakers' Association receives a salary and is allowed necessary office and traveling expenses. The secretary also derives some income as agent in the placing of compensation insurance for members desiring such protection. He also conducts a service for the sale of used machinery, which he bulletins to the members periodically. There is no charge to the members for this service. The funds derived from membership have been insufficient to meet the association's expenses, and it has been the practice to make up the deficiency by the income derived from advertisers in the association's annual convention programs. These advertisers consist principally of firms and individuals engaged in some of the allied industries, such as millers, manufacturers of baking machinery and equipment, supplies, etc. So far as known, the Indiana Bakers' Association has not sought nor received any direct financial assistance from the allied tradesmen.

During the World War, the bakers of Indiana through the Food Administration were organized by zones, each zone taking in several counties. There was a commissioner appointed for each zone. After the close of the war, the Indiana Bakers' Association decided to perpetuate this zone system of organization and the State was thus divided into some 16 or 18 zones, with one baker nominally in charge of each zone, who is at the same time a member of the association's advisory committee. This committee meets from time to time, and usually at the time of the annual State convention. The work of carrying on the association's activities is, however, largely in the hands of the secretary. This is effected through correspondence and personal contact with the members and through meetings of district and local groups of bakers.

The membership in the Indiana Bakers' Association consists (February, 1926) of about 150 bakers. Membership dues are $10 per oven per annum. Although many of the bakers in Indiana are not members of the Indiana Bakers' Association, they attend various group and local meetings of bakers which are held throughout the State. The State association holds a convention annually.

Some idea of the extent of the association's activities may be gathered from the following report of Secretary Ehlers, covering work done in the year 1924:

During the past year we have held 10 district meetings in South Bend, La Porte, Fort Wayne, Marion, Frankfort, Kokomo, Richmond, Muncie, Terre Haute, and Evansville, with an average of over 50 bakers present at each meeting, which means that we have taken a one-day conference to more than 500 bakers in the State; and I found many of these bakers had never attended a baker's meeting of any kind before.

Many unfair trade practices have been eliminated; such as giving secret discounts, giving away premiums, cutting prices below cost of production, etc.

Your secretary has been present at or called more than 20 local meetings, and was successful in organizing 8 local associations or bakers' clubs, besides visiting 85 cities and towns, calling on 365 bakers in the interest of our association and the baking industry in general.

District and local meetings.—As already noted (1924 report of Secretary Ehlers), the Indiana Bakers' Association was very active in 1924. This is also true of 1925. Examination of the correspondence and other data in the secretary's office, however, disclosed very little in the way of association activities prior to 1924. Although there had been a few local meetings in scattered sections of the State, the real organization movement, the bringing together the bakers of Indiana into district and local groups, was perfected during 1924 and 1925.

It appears that many of these meetings resulted in price advances. A letter from C. P. Ehlers to Harley Morris, of Mohler's Bakery, Muncie, dated January 31, 1925, tells of the organization of the Tristate Bakers' Club at Evansville and mentions the results of the first meeting as well as action taken at Wabash, Logansport, Marion, and Huntington. The following is a paragraph from this letter:

Had a fine meeting in Evansville last Wednesday and the boys organized a local association to be known as the Tristate Bakers' Club. I believe they are going to get along fine from now on, for some time at least. I understand their prices next Monday will be 8 and 12 cents, wholesale, which I hear is about the same action as has taken place in Wabash, Logansport, Marion, and Huntington.

There seems to be little doubt that prices were discussed at most of the group meetings and in many cases agreements were reached. Information as to action taken at various points was secured and the following examples illustrate various results obtained through cooperation brought about by informal district and local "get-together" meetings and through efforts of the secretary of the Indiana association.

Organization of Tri State Bakers Club.—A meeting was held in Evansville on January 28, 1925, for the purpose of forming a district association in that section. Mr. Ehlers, in a letter to Eugene Quigg, of Richmond, Ind., on January 31, 1925, described this meeting as follows:

We had a fine district meeting in Evansville last Wednesday, with more than 50 bakers present from the surrounding territory and a few from Kentucky and Illinois and I was very agreeably surprised that they got out such a goodly number, as the bakers in that section of the State are not so thickly populated as they are around here or farther north. As you know, our friend, Bill Walsh, seems to have been the disturber down there for some time, and after everyone had had his say and got a load off his chest I talked them into the notion of forming a local association, which they did and called it the Tri State Bakers Club and made Walsh president. He accepted the office very gracefully and made the boys a nice talk, saying from here on they are going to cooperate with one another and all enjoy each other's friendship and to do things in a businesslike way.

Continuing, Mr. Ehlers stated the result of the meeting, an advance in prices, and this is of particular interest since this meeting was referred to in connection with other future meetings, the hope being expressed that they might be as successful as the Evansville meeting. Mr. Ehlers wrote:

After the meeting was over I had many compliments on the good work done, as several of the bakers said it was far more than they ever expected to see accomplished at one meeting. They have had some very low prices there, and I believe next Monday they are going to 8 and 12 cents wholesale for their wrapped bread.

Alvin Eades, president of the Indiana Bakers' Association for 1925 and for a number of years a zone commissioner of the association, was interviewed relative to the situation which existed prior to the meeting and questioned as to the meeting itself and its results. The following information thus secured is substantially Mr. Eades's statement:

The bakers in Evansville had been fighting and cutting prices. Mr. Ehlers would ask me, "When are you going to have a zone meeting." I kept putting him off on account of the friction which existed between some of the Evansville bakers.

Mr. Eades stated that he called upon two of the Evansville bakers, who had been largely responsible for the friction, and finally succeeded in bringing them together, with the result that "they sort of buried the hatchet." However, nothing was done in the way of price adjustment. Meanwhile the bakers generally were still suggesting the desirability of having a zone meeting:

"Mr. Ehlers again asked me," said Mr. Eades, "about a meeting at Evansville." I said, "All right. These fellows have fought each other for a long time and it might help the situation if we could get them together, to know each other better, and thrash out their difficulties." We had no intention of talking prices at that time. I said to Ehlers, "You go ahead and send the notices out of Indianapolis (I know I did not send out the notices) and we will have a zone meeting down here." I told some of the allied tradesmen who make the territory and they went around and told the bakers that there was going to be a meeting at Evansville. We met early in the afternoon. There were 12 to 15 present from outside of Evansville. There was one baker present from Owensboro, Ky., but I do not know who he was. There were, I think, two bakers from Illinois—from Mount Carmel. I believe we invited some one from Chicago—either Mr. Hartley or Mr. Russell. I think Mr. Russell came in [to Evansville] the day before the meeting. At all of these gatherings we usually have a man out of Chicago to make a talk.

We met at the chamber of commerce in the afternoon. In the afternoon we had a meeting very much like a convention. Various talks were made, but during the whole afternoon nothing was said about prices. On my part I want to say that more was said afterwards about prices than I had thought of.

Our price at that time was about 6½ cents on a pound loaf, wholesale; 10 cents on the 1½-pound loaf; the retail prices were 8 and 12 cents, respectively. That went on for quite a while.

We invited a representative of the National City Bank there to come up and talk to them at the banquet. He talked until about 7 o'clock. By that time a better feeling developed than we had expected to see. Then, after he left, the talk just drifted into the price condition. I can not tell you much about that or what was said or who said it.

But we decided to organize a club of bakers, to get them together now and then for a lunch—have a friendly feeling—in other words, try to get rid of the bitterness that had existed among them. Everybody naturally was in favor of that. They realized how detrimental it was to be fussing among themselves. From this it just naturally went into price discussions. Everybody wanted to raise the price of bread. That was the thing everybody had in mind—a sort of spontaneous combustion. Some one said, "Beginning next Monday I am going to raise my prices to 8 and 12 cents, wholesale." That was a raise of 1 cent on the pound loaf and 2 cents on the pound-and-a-half loaf. Then the others said, "I feel that way about it." The Evansville bakers were practically of one opinion

that they should raise the price. The men out in the territory (towns adjacent to Evansville) said, "We don't know what we will have to do. We can not do this unless the other bakers in our territory do it." They went back home, and I suppose they got in touch with their competitors. The word was passed out that the bakers in Evansville were going to raise prices and that they were going to follow suit. The price was raised in Evansville and in some of the rural territory.

Mr. Eades stated that there had been considerable feeling against the Walsh Baking Co. on the part of some of the bakers in outlying territory from Evansville, due to the fact that Walsh had contracted to sell bread to some of the chain stores at a differential. He said:

These complaints came out during this Evansville meeting. Walsh explained that unless he furnished bread to the chain stores they would soon have their own bakeries, etc. The rural bakers apparently saw the justice and common sense in Walsh's argument. They went back and tried to raise the price of bread. Here and there they did raise. In some of the territory the bakers refused to cooperate and did not raise at all. That made it hard for those bakers in the same territory who had raised their price, and this pressure plus the lower price of the chain stores forced most of the rural bakers who had raised to slash their price back to 7 cents. They did not go back to 6½ cents; most of the rural territory has been on the 7-cent basis ever since [end of January, 1925].

Referring again to the meeting, Mr. Eades stated that this took place on January 28, 1925, and that the advance in price took effect the following Monday morning.

"The change was pretty general," said Mr. Eades, "and they are still getting the same price. Some of the smaller bakers raised their prices in line with the bakers who make the better class of bread, but have gradually backed down again. But the representative bakers are still holding that price [the price agreed upon at the meeting of January 28, 1925]."

Questioned as to just how the advance was put into effect, Mr. Eades replied:

Each proprietor notified his salesmen almost immediately that next Monday they would advance their prices. The salesman or driver notified his trade—in this instance gave the grocers three or four days' notice.

I. K. Russell, a representative of the American Bakers' Association, was present at this meeting in Evansville, and it was Mr. Eades's recollection that Mr. Russell was present when the price situation was discussed and when it was finally determined that there should be an advance in bread prices. Mr. Eades did not recall that Mr. Russell had taken any part in the discussion that finally led up to price fixation, but he was of the impression that Mr. Russell had done some "good missionary work," especially on Mr. Walsh.

The following letters prior to this meeting passed between Mr. Ehlers and Mr. Barnard and relate to Mr. Russell's work in Indiana:

DECEMBER 8, 1924.

Dr. H. E. BARNARD,
Secretary-manager of the American Bakers' Association,
Chicago, Ill.

DEAR DOCTOR BARNARD: I want to thank you and the officers of the American association for the wonderful work and assistance done by Mr. Russell last week at my two meetings in Frankfort and Marion. I know he got a lot of good out of these two meetings by getting out and meeting the bakers at these smaller meetings and talking to them face to face and finding out just what their real problems were and what they were most interested in. I was also very glad that the bakers themselves voluntarily signed up application blanks for your association, which goes to show that they appreciate the work you and your staff are doing.

We had several from smaller bakeries get up in the meeting and say that they would not do without the services that you are giving them for twice the cost. We all know what this means to some of the fellow bakers who are not taking advantage of all the good things you have to offer them.

I am contemplating holding a district meeting in Evansville about the middle of January, when I will again want some one from the institute to come down and talk to the bakers in that locality. As this will finish up our district meeting program before our next convention, I want to make this a real meeting.

With kind personal regards I remain,

Yours very truly,

Secretary-manager.

DECEMBER 13, 1924.

Mr. C. P. EHLERS,
Secretary, Indiana Bakers' Association,
418 Merchants Bank Building,
Indianapolis, Ind.

DEAR CHARLIE: I am glad Russell helped you last week. He has told me a lot about the meetings. He says they are the best he ever attended because they got close to the ground.

You can call on us whenever you need help in Evansville.

Yours very sincerely,

H. E. BARNARD,
Secretary and Business Manager.

Activities in Fort Wayne territory.—One of the most active sections of Indiana in association matters appears to center in Fort Wayne. The local organization in this city is the Fort Wayne Merchants Bakers' Club, which was organized in the latter part of 1923 or early in 1924. (For association activities prior to this, see p. 93.) Membership in the club includes about 30 Fort Wayne bakers and some members from the surrounding territory. Dues are 25 cents per month. The president, C. W. Winfield, and secretary, Sylvester D. Zeis, have held office since the organization of the club. Mr. Winfield is sales manager of the Perfection Biscuit Co., Fort Wayne, and Mr. Zeis is an agent of the Fleischmann Yeast Co.

On August 14, 1924, the Perfection Biscuit Co. raised its prices, to take effect the 18th. A few weeks prior to this time an advance had been made but it proved unsatisfactory. Other local concerns did not make the advance, and after about a week the company went back to the old prices. Mr. Winfield was questioned regarding why his company again raised prices so soon and stated that—

We had assurances—or rather, we had reasons to believe that others would also advance.

These "assurances" were evidently well founded, as the new prices were maintained and are still in effect generally.

Difficulty was encountered, however, in the territory surrounding Fort Wayne. On August 19, 1924, Sylvester Zeis, agent of the Fleischmann Co. and secretary of the Fort Wayne Bakers Club, wrote Mr. Ehlers, secretary of the Indiana association, complaining that the bakers in the near-by towns were not "lined up" and requesting that Mr. Ehlers come to Fort Wayne for a district meeting, at which this situation might be remedied. The letter, in part, follows:

After having a conference with Mr. Louis Garttner, of the Superior Baking Co., of this city, this a. m., I am writing to inquire about how soon you can come to Fort Wayne to meet with the bakers of this city and surrounding territory.

As perhaps you have already learned, effective yesterday, there was a change in the wholesale and retail prices of bread, which are as follows: The 1½-pound loaf was advanced from 9 to 10½ cents wholesale and from 10 to 12 cents retail.

There seems to be some hitch in getting the bakers in some of the surrounding towns lined up on this, and it is the opinion of Mr. Garttner that by you coming here and holding a meeting, to which they will all be invited, that we may be able to iron out some of these difficulties.

To this letter Mr. Ehlers replied on August 23:

I believe now that I could give you the biggest part of the week September 8 and we could call on the bakers in and around Fort Wayne and endeavor to get them in to attend on [one] of your local meetings.

Hoping that something can be arranged so we will be able to clear up the situation in the Fort Wayne territory. I will expect to hear from you the latter part of next week.

On September 6 Mr. Ehlers wrote Mr. Zeis, stating that he would arrive in Fort Wayne on the 8th, and continuing:

Make your arrangements to go with me for a couple of days next week in calling on the bakers in that territory, for I will be at your service the greater part of next week.

It was stated, however, by Mr. Ehlers that he did not go with Mr. Zeis to call on the bakers.

Frequent local and district meetings following the advance of August 18, 1924, were evidently successful, for the prices adopted on that date have not been changed.

For a meeting on October 22, 1924, over 200 notices were sent out. Commenting on this meeting, Mr. Ehlers wrote to Mr. Barnard, secretary-manager American Bakers' Association, on October 25, 1924, as follows:

On behalf of the officers and members of the Indiana Bakers' Association, I wish to thank you and Mr. Hall for the hearty cooperation and good work he did for us in helping to make the Laporte and Fort Wayne meetings such a decided success. While at the Laporte meeting we did not have such large numbers, those present got lot of good out of it and threshed out some problems that were of vital interest to the bakers in that locality. The Fort Wayne meeting was the largest and one of the most enthusiastic district meetings I have had this year, and you will notice by John Hartley's report in Bakers' Weekly and also the one Mr. Hall makes you that the bakers were all loud in their praise for the good American and Indiana associations are doing.

Again thanking you and Mr. Hall for your hearty cooperation.

On January 6, 1925, Mr. Zeis suggested to Mr. Ehlers that an attempt be made to duplicate this meeting about January 22. Part of this letter follows:

If you will remember, when you were here last October, we had a very successful district meeting, and it is the opinion of several of our large local bakers that we should endeavor to try and duplicate this, in order to get a closer understanding among our bakers, as well as making it as educational as possible for all those who attend, and it is with this in mind that we are planning a meeting about January 22; that is, if you can be with us on that date, as well as secure several good speakers.

Mr. Ehlers replied that on account of other meetings scheduled he would not be able to hold one in Fort Wayne on January 22. However, on January 31, Mr. Ehlers wrote Mr. Zeis as follows:

Your telegram received this morning, and I was just getting ready to call the bakers in for a little meeting at Crawfordsville on next Wednesday, but we have changed that meeting until Thursday afternoon, so you can count on me being in your fair city some time around next Wednesday noon.

I hope you will [have] a goodly number of bakers out and that the same good fellowship prevail as in the previous meetings which I have attended in Fort Wayne.

Had a fine meeting at Evansville last Wednesday, full particulars of which I will give to you and the boys when I see you.

The next meeting of which mention is made in the correspondence secured was scheduled for June 16, 1925. Mr. Zeis, in the following letter of June 4, 1925, announced this meeting and invited Mr. Ehlers's attendance:

I am writing to inquire if it would be possible for you to meet with the Fort Wayne Merchant Bakers' Club on Tuesday evening, June 16.

We are planning to have a meeting of Fort Wayne bakers, as well as those from near-by towns, on evening mentioned, and while we do not have in mind an elaborate program, the committee feels that they would like to have you present, if at all possible; therefore, shall be glad to have you advise me in regard to this as soon as possible.

Under date of June 12, Mr. Ehlers replied, stating that—

I find by canceling some other meeting for that day I will be able to be with you and you can count on me getting into Fort Wayne some time Tuesday afternoon.

I will probably drive and may stop at Muncie and some of the other cities on the way up there, as Mr. Butler and myself will probably leave Indianapolis some time Monday. I am looking forward to another of those fine meetings which I know you always have in Fort Wayne.

Wabash Valley Bakers' Club.—The Wabash Valley Bakers' Club was organized November 13, 1924, at a meeting of bakers held in Wabash, Ind. According to Charles C. Feist, baker, of Marion, Ind., the purpose of the organization was to promote friendly feeling among the bakers, but Mr. Feist admitted that the ultimate aim and main topic at meetings was the elimination of premiums, coupons, etc., and the discussion of prices.

The plan of the club was to hold meetings every two weeks, but after the first two or three these were discontinued. The third meeting was held December 4, 1924, at Marion, and the following brief account of the meeting was sent by Mr. Ehlers to the editor of the Northwestern Miller:

On December 4 the Wabash Valley Bakers' Club held their third meeting since their organization in Marion, Ind., at the Fleischmann Co. office, beginning at 2.30 in the afternoon, at which Mr. Russell made another interesting talk and both the State and American associations received several new applications for membership. At 6 o'clock at the Winters Café an excellent chicken dinner was served at which more than 50 bakers and supply men were present. Past President George Haffner led the singing, and then the meeting adjourned back to the Fleischmann Co. office, where we had a business session that was enjoyed by all, as many problems relating to secret discounts and premiums were threshed out and will be discontinued. Everyone present was unanimous in their praise for the good the local and district meetings are doing for the trade. Among those present were Mr. B. Whitehead, president of the Indiana Bakers' Association; Past Presidents, W. H. Mohler, George Haffner, and John Ruger.

Earlier in 1924 the bakers in the Marion territory held several meetings. According to Mr. Feist, one of the most important of these was held in July and was attended by most of the leading bakers in the territory, including representatives from Hartford City Muncie, and Anderson. Considerable trouble had been encountered by the bakers in the giving of premiums, coupons, etc., and the events which led up to the meeting were, according to Mr. Feist, as follows:

In the early spring of 1924 the Marion Bakery Co., a corporation which was apparently much overcapitalized, started a "price war"

with Mr. Feist. Finally Mr. Feist met the Marion manager and he said, "I told him I would give him 10 days to raise his price to mine." At the expiration of two weeks the price hadn't been raised, so Mr. Feist cut, and the result was that the Marion Bakery Co. went out of business.

Evidently a price agreement had been reached earlier in the year and Mr. Feist's reduction again upset things. Paul Brickley, of Hartford City, wrote Mr. Ehlers on July 24, 1924, as follows:

Just talked to Mr. Harvey on the phone and he informed me that the Marion bakers were trying to get lined up to raise their price next Monday morning. He said that they had not been able to see Feist yet, but he was trying to get them to raise anyway. You see he may "gum the cards again." It might be that you and John can get in some good licks there. We will not raise our prices in Hartford City until we see that Feist means business this time. He caught us once. You know we are ready any time he shows us that he is right. Will see you next week, and until then see what you can do toward pushing this across.

In order to get matters straightened out, a meeting was held, resulting in a price agreement, and Feist raised his price back to 11 cents for a pound-and-a-half loaf.

Questioned as to just how the price agreements were effected, Mr. Feist said:

One baker would get up and say that with the cost of material he couldn't make any money unless he got such and such a price. Others would say about the same thing. Finally they would agree that they had to get that price and would all decide to raise to that price.

We never had any regular agreement written out. Never signed any papers at all. Just an understanding.

Mr. Feist maintained the 11-cent price (as he agreed upon July, 1924) until November, 1925. At that time Maggert Bakery's (formerly Marion Baking Co. plant) competition caused him to drop to 10 cents for the three weeks and then to 9 cents, the price in effect in February, 1926. However, Mr. Feist, who shipped into near-by towns, maintained the prices prevailing in the various towns. His price, for example, in Hartford City was 10 cents and in Wabash 10½ cents.

In 1924 there was a large volume of coupon and premium business. Everything from toy balloons to phonographs was given. One baker had a proposition whereby a customer could return 10 bread wrappers and pay a dollar and receive an electric toaster. This toaster cost about 90 cents and the baker made 10 cents on each one sold, the profit going to the grocer for his trouble. Thousands of people took advantage of this offer, and many secured a silver bread tray through a similar proposition.

The situation resulted in the calling of a meeting which was held December 4, 1924. It succeeded in eliminating the coupon and premium business, the bakers agreeing to discontinue the practice. Since then, to February, 1926, no trouble has arisen from this source.

"Blackboard talks" and "round-table discussions."—The object of the blackboard talks (referred to below, p. 168) was to show the bakers the cost of bread with a view to stimulating price advances and retarding price declines. Mr. Hartley, in a letter to Mr. Ehlers on July 29, 1924, relative to a meeting to be held in Kokomo on August 13, 1924, states:

* * * will see you at Kokomo—and believe me, Charles, the rising markets make it a good time to shoot. These lads on short margins have got to go up—or out. A fine time for district meetings and the time to prove the value of

associations. Am sorry for some of our public-contact men who have stressed so much the idea the flour is but a small item in the cost of bread. I tried to keep the trade from going down in price too rapidly or too far. It is going to be hard to go up after some of our published reasons for certain high prices in some places.

In many cases difficulty has arisen in towns where bakers are affected by prices in near-by towns and surrounding territory. The Greensburg (Ind.), bakers desired to raise prices in the fall of 1924, but wished first to have assurance that the Columbus bakers would do likewise. On October 1, 1924, John W. Shoemaker, of Greensburg, outlined this situation to Mr. Ehlers and suggested that if a meeting of Greensburg bakers were held in Columbus it might be successful in inducing the Columbus bakers to advance prices. The letter follows:

I think all the bakers in this section are strong for increase for bread prices, but George Kessler informs me Columbus bakers are not so strong and that they would not come here for a meeting, he being there yesterday, September 30. Kisinger Bakery there holding out. Now if we could meet there instead of here, whenever you specify, I think we could induce them to raise.

What about the Century? Are they going to ship bread into this territory at a lower price than we are contemplating raising too [to]? We want to raise to 7 cents for a 16-ounce loaf and 10 cents for a 24-ounce loaf wholesale.

George Kessler is selling his 24-ounce loaf for 8 cents; also Westport is selling his 24-ounce loaf for the same price. What we want is uniformity price all over.

Replying to this letter on October 3, 1924, Mr. Ehlers stated his approval of holding a meeting in Columbus, suggested that some of the Greensburg bakers call on the Columbus bakers in the meantime, and concluded by expressing the opinion that "we will be able to adjust matters very satisfactorily to all concerned."

Your letter received and note what you say in regards to the Columbus bakers, and I am very much in favor of getting them to attend our meeting, even if we have to hold it in Columbus, as I believe the bakers in your locality would attend one there about as well as they would in Greensburg.

I find it will be impossible for us to hold this meeting next week, as we are having an executive board meeting on Thursday, and I will be out of the city up until Wednesday night or early Thursday morning, so we will have to hold it the week of October 13. I expect Mr. Zeller, of Shelbyville, in to our meeting, and I will then take the matter up with him and will advise you what conclusion we reach. In the meantime, if I were you, I would get some of the bakers in your neighborhood to go with you and call on the bakers in Columbus and the surrounding cities and get their opinion on matters you wrote me about and see what they think about a zone meeting.

I saw Mr. Brown, of the Century Biscuit Co., on Tuesday, and he informed me that they had never quoted any bread prices to anyone in Greensburg that he knew of, and if they had, or if they sold anyone, it would be at their regular country price, which is 0.06½ and 0.09 so I hardly think you need fear any competition from the Indianapolis bakers at a lower price than what they are now getting.

Keep in touch with me, and I think we will be able to adjust matters very satisfactorily to all concerned.

No record of any meeting at Columbus was found, and it is possible that the desired results were obtained through the informal visits of Greensburg bakers in Columbus, as Mr. Ehlers suggested.

It will be noted Mr. Ehlers promptly took up with Mr. Brown the question of the Century Biscuit Co. selling bread in the Greensburg district at a price lower than that proposed by the Greensburg bakers. In this connection the following from a letter signed by the president of the Indiana association (evidently dictated, however, by C. P. E.) to the City Bakery, Fort Wayne, April 15, 1924, is of interest:

One of the plans of the executive committee this year was to have Secretary Ehlers call on the bakers throughout the State in behalf of our association and the baking industry in general.

Various reports of such visits are contained in letters secured, the following example being quoted from a letter to Sims Milling Co., Frankfort, December 19, 1924:

Since Tuesday I have called on several of the bakers in the following towns: Wabash, Warsaw, North Manchester, Huntington, Marion, Portland, and several of the smaller places, and find conditions in very good shape, but business in general is very bad. Even in some of the towns where they still have a low price their business is no better than other cities where they have raised to 10½ and 11 cents wholesale.

In June, 1925, A. Crites & Son, of Huntington, complained to Secretary Ehlers that the Kiddie Knead and Blue Seal bakeries, of Logansport, and a bakery in Tipton were shipping bread into Huntington at prices below those at which the Huntington bakeries were selling. Mr. Crites suggested that Mr. Ehlers write the offending parties in an effort to "talk them out of the idea of bothering our prices." This letter, dated June 23, 1925, follows:

Well, we have another town who seems to think Huntington is a good place to sell their baked goods, but I don't see how they figure to make anything and [on] what they ship.

This other town is Tipton. I haven't learned the baker's name, but will find out to-day.

Mr. Bond, of Kiddie Knead, and Mr. Regan, of the Blue Seal Bakery, both of Logansport, were in to see me yesterday and we had a very nice talk over the bread situation, and they were both called here by their customers to talk over a cheaper price than they were getting.

I told both of them that the thing to do was for each town or city to protect the other towns and we would not have any bread wars, and I still think that is the thing to do in order to overcome these price wars.

Now, I wish you would try and get the bakers of the State to form some kind of an agreement to protect each other; until this is done we will always have trouble; let the towns and cities—that is, let the bakers of the towns and cities—set their own prices and fight their battles, but protect the surrounding towns and not cut the price, for that sure will force others down where they can not make any money.

Now, if Logansport and Tipton will not do this, of course there is only one thing for us to do—that is, to ship bread in their towns and force their prices down, and then who will gain by it? Nobody but the grocery and the public if they are given the benefit of the reduction.

I wish you would write to these bakers and try [to] talk them out of the idea of bothering our prices, and even tell them that we will go as far as to ship into their towns, and of course we do not want to do this, as we will lose money.

Anything you can do in this matter will be greatly appreciated by us, and if I can give you any help will gladly do so.

Secretary Ehlers replied to this letter, June 25, 1925, stating that he had talked with the Logansport baker that morning and suggesting that better results could be obtained by holding a meeting "than writing letters to each one, as I find it is a mighty hard job to get any cooperation that way."

Your letters received, and very glad to receive the information you gave me, and there is only one way that I know of whereby we could hope to straighten out this trouble, and that would be to get the bakers together for a little meeting some afternoon next week. I mean by this just a few bakers, one or two from Huntington, Fort Wayne, Logansport, Wabash, and we probably could get them together in Peru. I would arrange to be there and see if we could not reason with some of these fellows and get them to see things in the proper light.

I was talking to Roy Johnson, of Logansport, this morning, on the long-distance phone, and I am satisfied that he would do his part in trying to get the other bakers in his city to work with us, even if he is not in the wholesale business.

Think this matter over and let me know if it would be possible for you to be in Peru on next Wednesday afternoon. If so, let me know by Saturday, and I would get out word to the other bakers in time to get them there also, as that would be much better than writing letters to each one, as I find it is a mighty hard job to get any cooperation that way.

Mr. Ehlers sent the following invitation to attend the Peru meeting to the Kiddie Knead Baking Co. on June 29, 1925, requesting that J. T. Ruch, of the company "be there without fail."

We are having a little conference of bakers from the following cities: Huntington, Fort Wayne, Logansport, Wabash, Peru, etc., to be held in Peru on Wednesday, July 1, at 2.30 p. m., meeting at Burkhart's Bakery.

This is just a meeting of 10 or 12 bakers to discuss problems of vital interest to the trade at this time. Please be there without fail.

The meeting was held, but no account of what took place nor the results thereof are available. Mr. Ruch, however, was not present, and on July 9, 1925, Mr. Ehlers wrote him, stating:

Mr. Finney and Huburt were in the city Sunday, and Mr. Huburt told me he had called on you in regards to the situation in Huntington, and that you had informed him that you were willing and ready to do the right thing, and I believe Joe informed you just what the Huntington boys thought was proper. If you will get in touch with them I am satisfied that you will be able to iron out your difficulties to the advantage of all concerned.

Sorry you didn't get over to our meeting at Peru last week, as we had a good representative bunch of bakers there, and I think it is always best to talk to the men in person when things of this kind arrive.

Hoping you will get in touch with these boys and that everything will be O. K., I am.

On this same date Mr. Ehlers reported to Mr. Crites, the original complainant, that Mr. Ruch had given assurance "that he would adjust his price in Huntington," and suggested that if this action wasn't taken it would be advisable for Mr. Crites to "get in touch with Mr. Ruch and find out just what he intends to do and how soon." This letter reads:

Last Sunday Mr. Finney, of Chicago, and his sales manager, Joe Huburt, were in the city and called on me, and Joe had called on Mr. Ruch, of the Kiddie Knead Co., and Mr. Ruch had given him the assurance that he would adjust his price in Huntington to conform with that of the other bakers. Also that he would advise me of the fact, but so far I have not heard from him. If this be true I would suggest that you get in touch with Mr. Ruch and find out just what he intends to do and how soon.

I have been looking for a telephone call from Mr. Ruch, but as yet he has not got in touch with me, so I take for granted that he has seen some of your men and the difficulty has been eliminated. I am also writing him a letter to-day advising him of some of the things which were talked of last week at the Peru meeting.

The foregoing examples indicate that meetings were held for the purpose of adjusting prices and bringing those in surrounding territory into line; that Secretary Ehlers made trips through sections of the State for the same purpose and believed that cooperation could be secured much more readily by personal contact than through letters; that Mr. Hartley's objects in attending meetings and giving his "blackboard talks" included attempts "to keep the trade from going down in price too rapidly or too far," which tended to stimulate prices at other towns.

Work of American Bakers' Association in cooperation with the Indiana association.—It has been the practice of the American Bakers' Association to have a representative at each important local or district meeting. Apparently the most active representative was I. K. Russell.

Mr. Barnard stated that Mr. Russell's only purpose in attending these association meetings was to get new memberships in the American Bakers' Association. In this connection Mr. Barnard also stated: "I know Ike ran up a pretty good-sized taxi bill in Indianapolis one time—running back and forth." Explaining the purpose of this activity, which occurred in December, 1924, Mr. Ehlers said:

Ike came in here about the time they started the 5-cent bread. Ike thought he was such a fixer that he could go around and see these fellows and that they would discontinue it immediately. He never had any effect. * * * He was going to try to educate them to make better bread and charge a price for it.

Section 6. South Bend.

South Bend, Ind., was long a competitive sore spot for both national and State associations. Two companies figured largely in the history of its price wars and price agreements—Busse Baking Co. and South Bend Bread Co.

Busse Baking Co. was organized in 1915 by South Bend retail grocers and other local business men to operate a bakery at South Bend. At the start $10,000 in cash was put into the enterprise. The business was successful, and in 1920 it was decided to increase the size of the plant. For this purpose $50,000 was raised by borrowing and $25,000 by the sale of additional stock.

Prior to January, 1921, Ward Baking Co. shipped into South Bend and the surrounding territory from its Chicago plants, but at that time it acquired the property of the South Bend Bread Co., organizing a new company of the same name, the entire stock of which Ward Baking Co. held. At this time the wholesale prices of bread at South Bend were 7 cents for the 1-pound loaf and 11 cents for the 1½-pound loaf. Because of a sharp price war between the South Bend Bread Co. and the Busse Baking Co., these prices declined from time to time until in March, 1922, they reached a nominal level of 5½ and 7½ cents, respectively, at which level they remained until nearly the close of 1922, although for short periods they seem to have fallen somewhat lower.

As a matter of fact, the foregoing prices of the South Bend Bread Co. were only nominal during a part of this period, as coupons were being freely used in the sale of its bread. At different times it made use of 5-cent, 3-cent, and 2-cent coupons which were wrapped in with the bread and were redeemable when tendered in the purchase of another loaf of bread of that company.

Sworn affidavits furnished the commission set forth that F. H. Allen, manager of the South Bend Bread Co., had in May, 1921, stated to a committee of independent wholesale bakers that the price cutting on the part of that company would continue until it either put the Busse Baking Co. out of business or forced it to sell out, and that the South Bend Bread Co. had sufficient money or backing to do it.

Affidavits from independent wholesale bakers affected by the competition of the South Bend Bread Co. stated that their business was seriously crippled, that they were compelled to operate at a loss, and that unless the unfair methods of competition on the part of the South Bend Bread Co. were ended many independent wholesale bakers would be forced out of business.

One wholesale baker stated in sworn affidavit that he asked representatives of the South Bend Bread Co. why it was selling at less

than cost, and was informed that it had a large amount of money to spend in putting the Busse Baking Co. out of business, and that if he would cooperate in so doing they would raise the price of bread afterwards, so that they could both make a profit and cover their losses.

In reply to a letter from H. E. Barnard, secretary of the American Bakers' Association, soliciting F. W. Busse's membership in that organization, the latter replied as follows:

SOUTH BEND, IND., *March 2, 1922.*

AMERICAN BAKERS' ASSOCIATION
Chicago, Ill.

DEAR MR. BARNARD: Jour letter received of February 27, and I feel very sorry to say that I cant exept at present a membership in this new organization on acount bread prizes which will us not alow to spend any money last year we had a bread war. in which Ward oner of the South Bend Bread Co. sold bread her. at 2 cents a loaf net. the bread was wholesale at 7 cents with a cupon at 5 cents in each loaf. So jou see we have hard sleeding at present we jet 8½ cents wholesale for one and one half pound loaf. as soon as we have aleminudet (eliminated) this war. with Mr. Ward I will be. glad to exept membership.

Yours thruly,

F. W. BUSSE.

In reply Mr. Barnard referred to the successful way in which a short time previously the association had settled a price war between Kappus and Ward at Kenosha Wis. (pp. 72 to 76), and offered its services in the South Bend affair:

MARCH 8, 1922.

Mr. F. W. BUSSE,
President, Busse Baking Co., South Bend, Ind.

MY DEAR MR. BUSSE: I am very glad to have your letter in reference to membership in the American Bakers' Association. I appreciate the fact that there is now and has been for some time a serious situation in South Bend. This is most unfortunate and I wish the association could suggest some way by which the trouble might be ended. I am sure you come to Chicago frequently. The next time you are over won't you come in and see me. We were able to handle a situation similar to yours very successfully last week and we shall be glad to do what we can in the South Bend case. At least we want to help, and I am frank to say that I believe we can accomplish something.

Awaiting your early reply, I am,

Very truly yours,

_____,
Secretary and Business Manager.

The Chicago Fleischmann sales manager on March 7, 1922, advised Mr. Barnard of the South Bend situation. This letter and Mr. Barnard's reply follow:

CHICAGO, *March 7, 1922.*

Dr. H. E. BARNARD,
American Institute of Baking, City.

DEAR DOCTOR BARNARD: Believe you will be interested in report we have from our South Bend, Ind., representative to the effect that the South Bend Bread Co. have again reduced the price of their bread.

The latter part of January they cut the price of the pound loaf to 6 cents wholesale, 7 cents retail, and the pound and a half loaf to 8½ cents wholesale, 10 cents retail. They are now selling the pound loaf at 4 cents wholesale, retail 5 cents. The pound and a half loaf they are wholesaling at 7½ cents, retail 9 cents.

The Busse Baking Co. met the January prices, but have not followed them on the second cut as yet. The Mathews-Krauss Baking Co. are holding to their old price of 6 cents and 8½ cents wholesale, 7 cents and 10 cents retail.

Yours very truly,

THE FLEISCHMANN COMPANY,
F. E. CLARKE, *Sales Manager.*

P. S.—Newspaper clipping from Lincoln, Nebr., inclosed is quite the opposite.

MARCH 8, 1922.

THE FLEISCHMANN COMPANY,
327 South La Salle Street, Chicago, Ill.

Attention Mr. Clarke, sales manager.

GENTLEMEN: Thank you for your report on the South Bend price situation. I am trying now to develop a situation in South Bend which will make it possible for these competing bakers to stop fighting and do business upon a business basis. We had a conference in connection with a similar case last Saturday with most satisfying results.

Thank you for your clipping from the Lincoln State Journal. Jay Burns told me of this on Sunday. I am looking for increased bread prices throughout the country.

By the way, when you are in this part of town won't you drop in and see me? I want to talk yeast with you.

Very truly yours.

_____,
Secretary and Business Manager.

Further efforts of the American Bakers' Association to effect a settlement of the South Bend situation are shown in the following memorandum from Mr. Barnard to S. F. McDonald, chairman industrial relations committee of that association, and the latter's reply:

THE SOUTH BEND SITUATION

Memo: 251.
Doctor Barnard.
To: S. F. McDonald.

We are making real progress in the South Bend situation. Busse, Ward's chief bete noir, was over here the day before yesterday and went over the whole situation with us. I expect Jack Hines [general western manager and vice president, Ward Baking Co.] in this morning. Next Thursday afternoon we are going to try to get all the bakers together in South Bend and straighten this matter out once for all.

MARCH 16, 1922.

I note your work in South Bend, and I am sure it is going to straighten out alright with this sort of effort behind it.

MARCH 20, 1922.

In May, 1922, Mr. Busse received another letter from Mr. Barnard, soliciting his membership in the American Bakers' Association, to which Mr. Busse replied as follows:

MAY 11, 1922.

MR. H. E. BARNARD,
Manager American Bakers' Association,
1135 Fullerton Avenue, Chicago, Ill.

DEAR SIR: Your letter dated May 9 received, and I feel very sorry for the Busse Baking Co. that we can not belong to your association as long as this bread war in the city of South Bend is not eliminated. We can not understand how Mr. Ward will keep his name clear in this country among a bakers' association and go along and do business on a cut-throat proposition, as long as we have given every opportunity to enter in peace, not only alone the Busse Baking Co., but here are over 40 small bakeries which are within the corporation limits in a radius of 40 miles around South Bend, and we believe that every one of these men are entitled to a living wage scale as long as they are good citizens of United States.

Dear Mr. Barnard, I say again it is a crime to see these little fellows close up their doors, lose everything they have, and for the sake of humanity. Mr. Ward will surely pay a price, not only in money but in a way where even money can not buy back, and make good all the wishes which have been brought back for him and his family in which they are justified as long as these little bakeries have established a small business for them and their families, and here comes a giant and says everything belongs to me. We as a corporation did not suffer very much, but we are entitled just the same a fair return on our investment. I can not see the joke in which the South Bend Bread Co. only fights the Busse

Baking Co. and by the same time stick the knife in 40 to 50 other small bakers and press them out of existence. I say again, we will not and can not belong to an association which has no power to eliminate this unfair competition. However, we are willing to listen to you, Mr. Barnard, to a proposition which may lead to a peace conference.

Hope to hear from you by return mail.

Yours very truly,

BUSSE BAKING CO.
FRED W. BUSSE, *Pres.*

The following correspondence in July, 1922, relates to an attempt to bring about peace by separating Mr. Busse from the Busse Baking Co.:

MR. GEORGE S. WARD,
Care of Olympia Hotel, Mount Clement, Mich.

MY DEAR MR. WARD: Here is the letter which I phoned you about last evening. It came to me from J. F. Ruger, once president of the Indiana Association.

I called you concerning it for I thought the report of sufficient importance to get it into your hands at once. I am acknowledging its receipt and inclose a copy of my reply.

Very truly yours,

_____ _____,
Secretary and Business Manager.

THE OLIVER,
South Bend, Ind., July 13, 1922.

H. E. BARNARD,
1135 Fullerton Avenue, Chicago Ill.

DEAR FRIEND: Just a few lines to let you know that I am still on the working force.

I received a letter, a few days ago, asking me to call at South Bend, from our friend, Mr. Busse. Not knowing what he wanted, I made it my business to arrive here last Friday. I found that he was up to his neck in trouble. So we had a conversation about business and prices in this city. I asked him to get certain data for me, and I would return on the next week following Wednesday. After my calling, the directors of the Busse Baking Co. found that I was here, but couldn't catch me, so they drove to Sheridan Beach Cottage and we had quite a conversation, and I also informed them that I would arrive here on Wednesday to counsel with them.

I met the directors Wednesday afternoon. I informed them that there was nothing to do until Mr. Busse resigned and retired from the company, before we could accomplish anything with the Ward Co., or any of the other bakers in this city. And after our meeting yesterday, which was very plain talk, with Mr. Busse sitting in the meeting, I retired and waited for an answer.

And to my delight, and satisfaction, Mr. Busse consented to retire. His time expires Saturday night, and they have turned the bakery over to me to help them out and rearrange matters, which I hope to complete by next Monday or Tuesday.

I hope you will get in touch with Mr. Ward, and tell him what has been done up to the present time. You may inform Mr. Ward that he has retired and they promised me to take up his stock some time next week, and I will watch very carefully and see that this is done, and if not, I will inform you later so that you may be posted and also for the information of Mr. Ward.

Ever since I have been here the stockholders have asked me if the price question could be changed. I told them that I didn't control that part, but I knew if their company would meet Mr. Ward, or any other person, half way, I was positive that matters could be straightened out. Now, if there is any information that you can possibly get for me, or do, I will be here off and on for the next two weeks, and see that the business at the shop is properly conducted, and hope that this is good news to you and the rest concerned. Beg to remain,

Yours truly,

P. S.—My address at the lake, Michigan City, Ind., Takasan Cottage, Sheridan Beach, or at the Oliver Hotel, South Bend.

J. F. RUGERS.

JULY 15, 1922.

MR. J. F. RUGER,
Care of The Oliver, South Bend, Ind.

MY DEAR MR. RUGER: Thank you for your courtesy in writing me in reference to the South Bend situation. I have not been in touch with it since Mr. Busse resigned from the association.

I hope that the action of the directors will be helpful all around.

Very truly yours,

_____ _____,
Secretary and Business Manager.

Toward the close of 1922, Ward Baking Co. secured control of the Busse Baking Co. by purchase of its stock, and thus eliminated its competition.

On December 17, 1922, there was a meeting at South Bend of practically all of the bakers doing business in South Bend and adjacent territory in Indiana and Michigan. At this meeting the St. Joseph Valley Bakers' Club was organized. According to the statement of bakers present at the meeting, it was agreed that price cutting should end and that the prices of 7 and 11 cents for the small and large loaves, respectively, which had prevailed early in 1921 before the bread war, should be restored and maintained. This agreement involved bread shipments across State lines.

C. P. Ehlers, secretary-manager of the Indiana Bakers' Association, reported this meeting as follows:

On Saturday December 16, C. P. Ehlers, secretary-manager of Indiana Bakers' Association, called a meeting of bakers to be held at the La Salle Hotel, South Bend, Sunday at 2 p. m. to which about 40 bakers responded.

After Mr. Ehlers had given his talk on association matters, he called on the different bakers present for a talk and practically each man present had a word to say, and after this a local association was formed, the name of which will probably be the "St. Joseph Valley Bakers' Club." Officers were elected and committees appointed to report at the first regular meeting to be held the first week in the new year.

One of the topics most discussed was to discontinue the giving away of premiums such as theater tickets, dishes, victrolas, etc. And it was the opinion of all present that the beginning of the new year will see the bakers of South Bend and surrounding territory giving the consumers quality bread at a fair price and honest competition.

In a letter to Mr. Barnard from the Ward Baking Co., signed by George S. Ward, December 21, 1922, occurs the following paragraph:

You will be interested in hearing of the improved conditions in the South Bend territory. Beginning to-day bread will no longer be sold at less than cost of production. Mr. Ehlers, the secretary of the Indiana Bakers' Association, did some good work in getting the bakers together and following the lead of one who had the courage to step out and ask for a fair price.

Following the taking over of the Busse Baking Co. by the Ward Baking Co., and the formation of the St. Joseph Valley Bakers' Club, the South Bend Bread Co.'s prices for the pound and the 1½-pound loaves were 7 and 11 cents, respectively. Competitive conditions in this locality, however, were rather peculiar through 1923 and early 1924. During the first half of 1923 both of the Ward bakeries at South Bend were selling a part of their bread at 5 and 8 cents, respectively, for small and large sized loaves and the balance at 7 and 11 cents, and from June, 1923, to the close of the year,

while both bakeries were selling the small loaf at 7 cents, the Busse plant was selling the large at 10 cents and the other Ward plant was selling this size at both 10 cents and 11 cents.

On April 9, 1924, a district meeting of bakers was called at South Bend by the Indiana Bakers' Association officials. The following is a letter by the secretary-manager of the association to Mr. Barnard, secretary of the American Bakers' Association. Mr. Whitehead referred to in the letter was president of the Indiana association.

MARCH 17, 1924.

DR. H. E. BARNARD,
American Bakers' Association, 1135 Fullerton Avenue, Chicago, Ill.

DEAR DOCTOR BARNARD: As per our conversation of last Wednesday, coming home on the train from Cincinnati, Mr. Whitehead informed me this morning that he has made arrangements to hold a one-day district meeting in South Bend on Wednesday, April 9, in conjunction with the St. Joe Valley Bakers' Club. This meeting to start about 2 o'clock in the afternoon, have a little dinner around 6 o'clock, and continue the meeting in the evening.

We plan to have some snappy talks, and more round-table discussions by bakers and others present, than we do long speeches. So we would like to have you, or some one from the institute to represent the American Bakers' Association, at this meeting.

Any suggestions as to how to get the bakers out, and how to make the meeting a success, will be appreciated.

Yours very truly,

_____,
Secretary-Manager.

Mr. Barnard replied as follows:

CHICAGO, ILL., *March 19, 1924.*

MR. C. P. EHLERS,
Secretary and Manager, Indiana Bakers' Association,
817 Merchants Bank Building, Indianapolis, Ind.

MY DEAR EHLERS: As I told you last week, some one of us will be mighty glad to attend the district meeting in South Bend Wednesday, April 9. I shall come if I can, but if I am not there Ike Russell or Doctor Rumsey will be on hand.

We are having a wonderful conference here this week. I wish you were here. West will tell you all about it.

Why don't you, in order to get the St. Joe Valley bakers out, work on investigations under way at Washington, the accusation that bakers are profiteers, etc. That is the most stirring thing I know of just now, unless, of course, you may follow the toast campaign.

Yours sincerely,

H. E. BARNARD,
Secretary and Business Manager.

Concerning this meeting, Mr. Ehlers wrote as follows in a letter to Paul Brickley, Hartford City, Ind., dated April 12, 1924:

We had a very splendid meeting in South Bend on last Wednesday with about 32 bakers in attendance, and I know everyone present got a great deal of good from the meeting, as John Hartley gave one of his blackboard talks and the bakers themselves asked many questions and put their own problems and figures on the board to show their competitors just what they were doing. This was done in the evening after dinner when we had excused the supply men and had an executive meeting for bakers only. I think these small-group meetings where the bakers get together for a round-table discussion are very valuable to the industry as a whole.

According to the statements of both Mr. Ehlers and Mr. John M. Hartley, secretary Associated Bakers of America, who were present at this meeting, there was considerable price discussion but no price agreement. It seemed to be the sense of those present that the time was not right for effecting any agreement on prices; that the bakers

in this territory should do some "educational work" to overcome some of the hostility to the business; and then after a time that they should get together on prices. Several local meetings at South Bend followed that of April 9, 1924.

Finally, in October, 1924, a meeting of about 15 bakers of South Bend and surrounding territory, including points in Michigan, was held at South Bend to consider a price change. Some of the bakers had their financial statements with them and these were discussed. Two of the bakers present furnished the commission with the names of those present. Among these were the names of the local representatives of Ward Baking Co. and its Chicago manager. The latter, according to the statement of one baker present, practically directed the meeting. This baker stated to the commission's agent that it was the general feeling of those present that inasmuch as the "big fellow" (Ward Baking Co.) wanted an advance in price, and had suggested it, and had also suggested to those present that "if they would all go ahead and establish the 11-cent price [for the 1½-pound loaf] there would be no further trouble from the Ward Baking Co.," that this was the thing to do; and this was what they all finally decided to do, to go to 11 cents. He further stated that several suggested that what they were about to do might be illegal, and that they had to be careful how they got together on prices, but that the thing to do, once they were all satisfied, was to go ahead and put the 11-cent price into effect. And this, he stated, was done, and within the next day or two all had the 11-cent price.

The fact of the agreement, which also involved bread shipments across State lines, and consequent advance in price from 10 to 11 cents for the large loaf, was confirmed by interviews with other bakers present at the meeting and by reference to the records of their prices. One baker present stated that it was his knowledge that this price of 11 cents for the 1½-pound loaf was put into effect by all the bakers who were at this meeting, and that it was his knowledge that this price has been pretty uniformly maintained until the present time (February, 1926). Both this baker and another stated that to the best of their knowledge the Ward Baking Co., South Bend, Ind., had maintained this 11-cent price. Complaint, however, was made that this company had resorted to a free bread campaign in Goshen, Ind., during a part of October and November, 1925.

From October, 1924, for a considerable time all bakers in the South Bend agreement, including Ward Baking Co., were to all appearances selling bread in that territory in line with the agreement—8 cents for the small loaf and 11 cents for the large. The agreement had been won too hardly for any open price cutting by the larger bakers. Actually, however, as shown by the complaint referred to above, and by correspondence in February, 1925, between G. B. Smith, president Ward Baking Corporation, and Mr. Allen, Ward's South Bend manager, Ward Baking Co., instead of maintaining its published price of 8 and 11 cents, was selling at several points in Indiana and Michigan (all served from its South Bend plant) at 7 and 10 cents. This was done by billing a customer at the "regular" price and then giving him enough free bread to make the price of the total delivered to him 1 cent per loaf less than the regular price. Should the customer, for example, wish 120 one-pound loaves he would be billed for $8.40 (120 times seven cents) but only for 105 loaves at 8 cents, the salesman

taking a receipt from the customer for the free bread and turning this in to the company as the equivalent of cash at the regular price.

In the correspondence referred to,[4] the explanation was made that the reason for having different prices, even on the same routes, was to meet competitive prices (in this case those of a company not a party to the agreement, so far as known). But why not sell the bread outright and openly at cut prices? The answer apparently lay in the fact of a price agreement and the desire to maintain the appearance of keeping it. When G. B. Smith, president Ward Baking Co. and party to the correspondence, was asked to comment on this method of cutting prices, he said:

> That is all Greek to me. I doubt very much if that is in existence now. I don't know.

Other methods of meeting competition with perhaps less risk of immediate financial loss were resorted to by Ward Baking Co. in the South Bend territory. In January, 1925, a letter was written to F. F. Kleinmann, general purchasing agent, by J. H. Hooper, manager of one of the Ward bakeries at Pittsburgh, relating to wrappers and State weight laws. G. B. Smith, president Ward Baking Co., commenting on the letter, said that managers must conform to State-weight laws and that the company did not countenance any deviation therefrom; that if there was such a deviation the manager would be told to get busy and get the weight corrected. However, in October, 1925, correspondence passed between J. M. Barber, assistant treasurer, and G. A. Parsons, vice president and supervising manager, and between Mr. Barber and F. F. Kleinmann, in regard to putting out a 20-ounce loaf of bread on a certain route, or certain routes, out of South Bend, Ind., in order to meet competition. Calling President Smith's attention to this correspondence [5] the commission's agent stated that it was his understanding that the Indiana bread law prohibited both the maufacture and sale of bread other than in loaves of 1 pound and 1½ pounds, etc., and questioned Mr. Smith as follows:

> Q. Did you have in mind or have knowledge of the Indiana bread law?—A. It did not mean anything, whatever it was. So far as I know, I don't know where those routes are, and I would have to check up.

Section 7. Potomac States Bakers' Association.

Constitution.—The constitution of this association provides for three classes of members—regular, associate, and honorary. Those of the first class only are entitled to vote or hold office. The regular membership is composed of individuals, firms, and corporations engaged in the baking business in the States of Virginia, West Virginia, Maryland, Delaware, North Carolina, and the District of Columbia. The associate membership is composed of those in lines affiliated with that of baking. Regular and associate members are elected by a three-fourths vote of the executive committee, after application through the secretary and recommendation by at least one regular member of the association. Annual dues for both regular and associate members are $10, payable in advance. Early in 1926 there were 104 regular members on the association's rolls, and 139 associate members.

[4] Ward Baking Co. refused the commission a copy of this correspondence. See p. 5.
[5] Ward Baking Co. refused the commission a copy of this correspondence and that of January, 1925, referred to above. See p. 5.

A code of ethics for its regular members, similar to that of the New England Bakers' Association, was adopted by the association in 1924 and is incorporated in the constitution. Certain practices are prohibited by this code. Among these are the following: Temporarily increasing bread weights in certain localities for the purpose of getting new business; the giving of premiums, discounts, rebates, and free show cases; and advertising by the use of coupons. The code requires that the violation of any of its principles by any company, firm, or individual shall be called to the attention of the industrial relations committee (executive committee).

The executive committee consists of two members from each State and one from the District of Columbia, elected by the association and serving for three years. The president, vice president, secretary, and treasurer are ex officio members of this committee. Besides having general charge of the affairs of the association the constitution provides that "The executive committee shall receive all complaints of unfair competitive practices arising between members in any community, and upon receipt of such complaint give immediate acknowledgment of same, and shall have full power to employ any form of investigation into the merits of issues between members, to effect settlements where possible, to act as arbitrators after hearing testimony, and to determine such action as the association shall take with respect thereto."

In addition to other ways, as provided by the constitution, membership may be terminated by executive action.

Restraints on competition.—The Potomac States Association by discussion and through "cooperation" has sought to eliminate such competition among bakers as takes the form of price reduction. For some months it published a monthly bulletin and in this price cutting received from time to time the attention of the secretary. The following is from the bulletin of January, 1924:

PRICE CUTTING REPORTED

> Reports of a very serious nature are reaching the secretary as to price cutting on all lines of bakery products in various parts of the territory. It appears that some "ambitious" baker, wishing to corner all of the business, not satisfied with the portion he was receiving, conceived the "brilliant" idea of cutting out his profit altogether and giving it to the groceryman or other dealers in bakery products. He went a step further than this, and on one of the most staple lines of cakes he not only cut out the profit but gave an extra rebate and refund on broken or unsold goods.
>
> Naturally those who wish to survive in the game and realize the necessity of making a profit are bringing the situation to the attention of the association and the matter is having the attention that it justifies.
>
> Some of the legitimate bakers are meeting this competition and the wiser heads are maintaining their selling price and taking the proper procedure.

J. H. Woolridge, then secretary of the Potomac States Association and the one responsible for the bulletin, commented on the above item to an agent of the commission as follows:

> Q. What was the nature of the "reports" referred to?—A. That was when I was doing a lot of traveling. When you go around traveling and visiting bakers in their shops, some one would say, "I don't mind belonging to the association; but this fellow over here is cutting the price—or some fellow from the other town"—just verbal stuff. You have got to tell them you are doing something when you are not. We had no money. That was just a bluff.
>
> Mr. Schillinger would tell us about complaints. But if the bakers did not want to get a fair price for their products, they would not cooperate.

Q. Did you take any steps to get them to "cooperate"?—A. No steps whatever. Some of the biggest bakers in town would give rebates.

Q. How would you know they were giving rebates?—A. Only because some other baker would tell us. "That 'cooperation' stuff is no good," some baker would tell me, "because here is a baker from some other town that comes over here and sells cheaper than I do."

Schillinger was chairman of the industrial relations committee [of the Potomac States Bakers' Association]. The only time he would write them [members] would be about premiums. He would not write them about prices; he would not write them about rebates—not that I know of.

The industrial relations committee never met. It never made any report to the convention, never kept any records, except what Schillinger made himself.

The executive committee met twice a year. The secretary is always on it. Schillinger was president or vice president of the association, and naturally he would meet with the committee. He would not always attend and sometimes some of the other officers would not come.

A lot of committees were sort of figureheads.

The industrial relations committee was appointed after one president had been out to French Lick [convention of American Bakers' Association] and heard all of that stuff, and tried to pattern after the National.

Q. What did you mean by "The matter is having the attention it justifies"?—A. Just to round the article out like that; that was all that was for.

Again the following from bulletin of March, 1924:

PRICE CUTTERS HURT

The price cutters are generally classified as business wreckers. Their vicious practices are harmful in any line of business, but particularly in the manufacturing business.

Perhaps the greatest injury done by the ignorant price cutter is that he demoralizes the buying trade. By his practices he teaches buyers a false sense of values and undermines the confidence the buyer usually has in the producer.

In the legitimate trade, no one is feared as much as the chronic price cutter who, slashing prices right and left, cares not whom he harms but glories in the knowledge that when he falls, others must fall with him. The destructive price cutter can be eliminated in any trade only when the honest men in that business cooperate understandingly.

In the baking business there appears to be urgent need of corrective measures of some kind in several scattered cases and the sooner that the legitimate bakers agree on some way to combat the influence of these destroyers of business the sooner will the industry be rid of a problem that is now the source of much worry on the part of the well-meaning bakers.

Mr. Woolridge when asked what he meant by "corrective measures," said:

A. Well, these fellows ought to do something.

Questioned further on this point, he said:

I don't remember; too far back; too much stuff coming up; can not think of all of it.

They could put on a big cooperative advertising campaign—advertising quality.

Asked if what he had in mind might not have been bringing about a change in prices, he replied:

I don't know what I had in mind. I don't remember any more what I had in mind.

I never had in mind any idea of their getting together to fix prices. That would be the last thing you could do. You could not get these birds together in a million years.

On April 27, 1925, the General Baking Co. in Washington, D. C., cut the price of the pound loaf of bread 1 cent and of the 1½ pound 1½ cents. This cut forced others to follow, causing resentment in the trade, not only against the General, but against both the Potomac States Association and the American Bakers' Association for failure to hold the larger competitors in line on prices. This is indicated in the first letter of the correspondence below written by the secretary of the Potomac States Association, Mr. J. H. Woolridge:

MAY 4, 1925.

MR. LEWIS BOLSER,
President American Bakers' Association,
c/o Excelsior Baking Co., Minneapolis, Minn.

DEAR MR. BOLSER: On April 27 the General Baking Co. lowered the price of their bread in Washington as follows: 1½ cents on the pound and half loaf and 1 cent on the pound loaf. This reduction forced others to follow suit which has caused a lot of dissatisfaction in the trade.

The public was not clamoring for a price reduction and consequently this action was unnecessary. Washington bakers did not increase prices when the higher wheat prices prevailed and there was no call for lower prices at this time.

This is a chance for the American Association to render some splendid service to the trade. If this lower price continues, the National Association is going to lose some very good members as well as the Potomac States Association.

If the larger bakers could be prevailed upon to call a conference before springing these changes upon their competitors and fellow members, it would be a great move forward for association work. One of the hardest things to understand is why business men will not come together and discuss such things with their fellow association members.

In the face of this price reduction the wheat market is far from normal and the employing bakers were forced to grant a 50 cents per day increase in the pay of helpers effective May 1. A great many bakers are contending that if we can not render a better service and prevent such things in the trade that they would be just as well off without the association.

Bread prices in Washington to-day are 7 cents and 10 cents wholesale retailing at 8 cents and 12 cents. Prices for the past 2 years were 8 cents and 11½ cents wholesale, 9 cents and 13 cents retail. Prices to-day for the bakers to make a decent profit should be 8½ cents and 12 cents wholesale.

This is the first time in the past two years that prices have changed in Washington and it is the consensus of opinion in the trade that this is merely a fight between the General Baking Co. and the Continental and that all others will have to suffer because of this hasty action.

Trusting that you will take some action in this matter and that some practical solution of the problem can be worked out, I am,

Very truly yours,

———— ————.

The above letter is from a copy taken from the files of the American Bakers' Association. Neither the original was found in Mr. Bolser's files, nor a carbon copy in Mr. Woolridge's files. The letter clearly indicates (fourth paragraph), however, that it is the writer's belief that one of the functions of a bakers' association is to bring competing members together to discuss and agree on prices.

Mr. Bolser, president of the American Bakers' Association, evading the responsibility of an answer, directs his secretary to send the following letter to Mr. Woolridge:

MAY 7, 1925.

MR. J. H. WOOLRIDGE,
Secretary, Potomac States Bakers' Association, Post Office Box 1160,
Washington, D. C.

DEAR SIR: In the absence of Mr. Bolser, I am taking the liberty of sending your letter to him of May 4th to Doctor Barnard of Chicago for his immediate attention.

Yours truly,

————— ————,
Secretary to Mr. Bolser.

Mr. Bolser then writes the same day to Mr. Barnard as follows:

MAY 7, 1925.

AMERICAN BAKERS' ASSOCIATION,
1135 Fullerton Avenue, Chicago, Ill.

Attention Dr. H. E. Barnard.

GENTLEMEN: Attached is copy of letter I received from J. H. Woolridge to-day and copy of my repy, which is in itself very evasive.

I would prefer to have the responsibility of a reply of this kind rest upon your shoulders. You are handling them daily and know best what to say and what not to say.

It is just a little amusing that this association should appeal to us for support with the past president of their association as chairman of the industrial relations committee, but as we all know, it is impossible for us to participate in a price controversy of this kind.

I think you might do the most good by having a personal talk with Woolridge while in Washington.

Yours very truly,

LEWIS F. BOLSER, *President.*
AMERICAN BAKERS' ASSOCIATION.

Attention is directed to the third paragraph of the foregoing letter. That an appeal should have been made to the American Bakers' Association rather than to attempt a settlement through the Potomac States Association was probably due to the commanding size of the two leading competitors involved; and that it should have been made to the president of the American Bakers' Association rather than to the chairman of the industrial relations committee, is explained by the fact that the chairman is a high official of the General Baking Co., which initiated the cut. The statement that it is impossible for the American Bakers' Association to participate in a price controversy is contradicted by the evidence cited elsewhere in this report.

Nothing further was found in the files concerning the case. The last paragraph of the last letter above indicates that the discussion may have been concluded by a "personal talk" in Washington.

Mr. Woolridge was questioned as to what he might expect to accomplish by writing such a letter as that of May 4, 1925, quoted above, and replied:

The members of the association were dropping out right and left. We lost all of them in one year; they could not afford to keep it up; they were not making any money.

Q. What did you expect from the letter?—A. I did not expect anything.

Q. What was the object in writing it?—A. You have to make certain kinds of bakers believe you are doing something. Bolser was the only fellow I could write to. These fellows were all hollering at me that they were going to drop out of the association.

Mr. Woolridge was then asked if any of the local (Washington, D. C.) bakers knew of the letter, and he replied that none of them did.

Mr. Woolridge was then asked to explain what he had in mind when he wrote Mr. Bolser the following:

If the larger bakers could be prevailed upon to call a conference before springing these changes upon their competitors and fellow members, it would be a great move forward for the association work.

He replied:

It would be a good thing to get together.

Q. And do what?—A. To get together and talk over their general troubles. What I wanted to do was to save losing a lot of members of the Potomac States Association. I could not get the members if I did not have any money.

Mr. Woolridge was asked if he had consulted with, or talked with, anybody in Washington about the letter to Mr. Bolser before it was forwarded. His answer was:

I don't remember; it is so far back.

He was then asked how he figured the writing of the letter was going to save membership in the Potomac States Association. His answer was:

At that time I did not have any direct thing in mind; but wanted to see what these fellows [American Bakers Association] were going to do.

Mr. Woolridge was then asked what he meant when he wrote "Trusting that you will take some action in this matter"—what action he had in mind, etc. He replied:

I did not know what action he would take. He might call a conference or he might not take any action.

Mr. Woolridge was asked if he had not discussed this letter, and the Washington bread situation generally, with Mr. Barnard, in Washington, D. C. Mr. Woolridge could not remember; thought something might have been said about the situation; that Mr. Barnard might have said, "It is too bad to have these troubles," or something to that effect. He did recall having lunched with Mr. Barnard and with a Mr. Milford (at that time sales manager for Holmes Bakery); that at this time Mr. Barnard might have referred to the Washington situation. This was very shortly after the cut in bread prices in Washington in April, 1925. Mr. Woolridge said that Mr. Barnard would usually call him up when he came to Washington; often they would have lunch together; sometimes Milford would be along; sometimes he, Woolridge, would leave Milford and Mr. Barnard early to keep some appointment.

Mr. Woolridge said he might have discussed the Washington situation (cut in prices) with L. A. Schillinger; probably told him they were losing members because of this situation, but did not remember that he ever asked Schillinger what he could do to help out.

Finally, Mr. Woolridge said that he had talked with Mr. Graham, of the Dorsch Bakery, and secretary of the Washington Employer Bakers' Association, regarding the letter to Mr. Bolser; that he had shown a copy of it to Graham and had left a copy with him; that Graham thought it a good letter. He had not shown the letter to anyone else in Washington that he could remember.

Section 8. The New England Bakers' Association.

The New England Bakers' Association, organized in August, 1921, with a membership of 50 bakers, had December 1, 1925, 604 members—332 bakers and 272 allied tradesmen. The association grew out of and supplanted the following associations: Tri-State Bakers, Boston Master Bakers, Western Massachusetts Bakers, and Rhode Island Master Bakers. The original membership was open only to bakers. The allied tradesmen, however, showed such interest in the activities of the association that in July, 1922, the constitution was amended to accept them as associate members without voting powers, and in December, 1923, they were given representation on the board of governors.

Meetings of the association are held quarterly, usually in different parts of New England. The September meeting is the annual con-

vention, a three-day affair, and the December meeting is the annual business meeting, at which the election of officers for the ensuing year is held.

The membership of the association is organized (1925) into 17 local divisions, each division having its own officers and holding monthly meetings. These meetings are usually attended by officials of the general organization.

Since January 1, 1923, the association has had a paid business manager, who devotes his full time to its affairs, traveling from division to division, holding meetings, soliciting members, collecting dues, taking care of much of the correspondence of the association, and seeking to promote amicable cooperation between members of the trade. The business manager, H. D. Likins, states that while there is an industrial relations committee whose duty it is to adjust trade differences between members this work is largely performed by his office. His principal work, he says, is to keep things running smoothly.

The yearly expense of the association amounts to $8,000 or $9,000. Toward meeting this expense there is charged as annual dues for bakers $5 for the first oven and $3 for each additional oven, traveling ovens being rated according to capacity; and for allied tradesmen $10 for the first member in the company and $3 for each additional member. In addition to the dues the association is dependent for funds on contributions from both bakers and allied tradesmen.

Members of the association are pledged by the code of ethics to the performance of certain trade practices and against the performance of certain other practices. This code was unanimously adopted at the Burlington meeting of the association, July 10, 1922, and appears together with the constitution, which the members agree to abide by in their application for membership. The following paragraphs are from the code:

* * * * * * *

We will be loyal to the principles of our association, and will always be mindful in building up our business that it is not necessary to tear down another's.

* * * * * * *

We will not increase bread weights in certain localities, temporarily, for the purpose of getting new business.

We will discontinue the practice of giving premiums, discounts, and rebates.

We will encourage advertising in every form, with the exception of coupons, series of pictures, or booklets which could be considered premiums.

That the code is interpreted by the association as a pledge of members to one another and to the association to maintain prices against "cuts of any kind," is shown by a letter written by Mr. Likins, manager of the association, February 12, 1924, to a price-cutting nonmember firm—a letter which was never sent, because the writer "didn't like the looks of it," but which was retained in the files. The following paragraphs are significant:

It is the earnest desire of the officers and governors of the New England Bakers' Association to promote the welfare of the baking business and to keep the industry on the highest possible plane.

Wherever methods and prices are in effect which tend to disrupt the business, it is our policy to offer our assistance either to members or nonmembers in straightening out the tangle.

* * * * * * *

Through agreement members of our association are pledged against premiums and price rebates or cuts of any kind, but in cases where members are subject to such competition by other bakers not members, unless our organization is able to straighten out the trouble, we can not logically hold our members from reprisals.

* * * * * * *

It is customary after a formal report has been received and acknowledged by the association, and all proper efforts for adjustment have failed, to relieve our members of all association pledges. May we not settle this matter immediately in a way which will promote future harmony.

The agent of the commission found the correspondence files of the association very imperfectly kept. Apparently many letters were missing. It should be noted, also, that the business manager of the association is traveling much of the time and his communication is by word of mouth. It is by this means, as the correspondence indicates, that much of the work, and certainly the most effective work looking toward price agreement, is done. Obviously the evidence of such agreement in correspondence is far from complete. Nor are articles of agreement commonly drawn up. If a price arrangement is effected that grows out of a regular meeting, or one of its committees, it is conspicuously absent from the minutes of the meeting, if any are kept. Indeed, the manager of the association stated to the commission's agent that the association is not interested in the question of prices, and that prices are never discussed "officially" at any of the meetings. Such discussion if begun, he stated, is declared out of order. Questioned further, he admitted that an after meeting might be held for this purpose and "everybody allowed to go to it."

The following correspondence will show what is expected of the association by its members with regard to holding members in line on bread prices. It will be noted that bread produced in one State and sold in another is involved in this case, the customer and one competitor being located in New Hampshire and the other competitor, the New England Bakery Co. (now subsidiary of the Continental Baking Corporation), shipping from one of its plants in Massachusetts. The two competitors are members of the association.

NEW ENGLAND BAKERY CO.,
MORIN BRANCH, 97 LOWELL STREET,
Lawrence, Mass., May 3, 1924.

Mr. HORACE D. LITKINS [LIKINS, BUSINESS MANAGER],
New England Bakers' Association, Boston Mass.

DEAR MR. LITKINS: I would like to know whether you could help us out; we are having a little trouble with one member of the association, Mr. Cote, of Manchester [N. H.], who is cutting the price of the bread. Mr. Asbury Small, of Raymond, N. H., told us that he was getting his bread for 9 cents from Cote Bros., of Manchester. Mr. Small is a customer of ours, also.

I should think that all the members should be together, and not go ahead and cut prices. Will you see what you can do about this, and oblige,

Yours truly,

NEW ENGLAND BAKERY CO.,
D. C. BIBEAU, *Manager.*

NO. 465 STUART STREET, BOSTON, MASS.,
May 6, 1924.

NEW ENGLAND BAKERY CO.,
No. 97 Lowell Street, Lawrence, Mass.

DEAR MR. BIBEAU: Your letter of the 3d instant just received this noon. Please note my change of address as given above.

I will immediately take up this matter with Mr. Cote by correspondence, and if I can not make any progress that way I will make a trip to Manchester. I

want to get up there on some other matters and this will give me an excuse to go, but I can not very well get away for a few days, so I will start the ball rolling by mail.

It does seem too bad that our members will go ahead and cut without going into the matter.

With kindest regards, I am very truly yours,

NEW ENGLAND BAKERS' ASSOCIATION,
Business Manager.

No. 465 STUART STREET, BOSTON, MASS.,
May 6, 1924.

COTE BROS.,
No. 613 Main Street, Manchester, N. H.
(Attention Mr. Oneal Cote.)

GENTLEMEN: It has come to my attention that you have made a cut in the price of bread to some of your customers.

As you well know we all welcome competition, but we do feel that this competition should not take the form of price cutting. We have always looked upon your firm as one of our staunch supporters, and I hope you can write me that the complaint that has been made is without foundation and simply a game on the part of the customer playing one baker against the other.

While I am writing I would also like to ask what the chances are of having a meeting of the New Hampshire bakers soon. You know we have not had a meeting in your city or section now for some time and I think we should make an effort to get together. As you are president of division No. 8 will you see what can be done? If you think I had better drive up some day, let me know and I will make my plans accordingly.

With kindest regards, I am very truly yours,

NEW ENGLAND BAKERS' ASSOCIATION,
Business Manager.

How this case was followed up by the manager of the association is shown by this paragraph of a letter written by him May 20, 1924, to George C. West, Vermont Baking Co., White River Junction, Vt., then president of the association:

I was in Nashua, Manchester, and Lawrence yesterday but did not make much progress as my men were all out. I found things in Nashua very quiet and everything running smoothly, but in Manchester there is quite a little unrest and price cutting. I have been in correspondence with Cote Bros., but they do not answer my letters, so decided to go up there. I am also trying to arrange for a local association meeting there. Will know more later as to the results. I planted the seeds and will have to wait to see if they grow.

The correspondence found in the files of the association does not disclose the outcome of this attempt to bring the members interested in the Raymond (New Hampshire) market together on bread prices, but the "quiet" in Nashua, N. H., referred to in the foregoing paragraph was apparently the fruit of the manager's earlier work in that locality, for in writing to Mr. West, June 11, 1924, of what the association was accomplishing, he says:

When it comes to specific cases we [have] gotten the most important bakers of Nashua to see the error of their ways, get together, and restore prices to a reasonable scale and abolish premiums.

It should be noted, in this connection, that one of the competitors in this market was the Great Atlantic & Pacific Tea Co., which shipped its bread from its bakery at Somerville, Mass.

The following excerpts from letters will show the nature of the association's activities touching prices, together with practices and conditions bearing on prices, some cases involving interstate commerce, others only intrastate, but all having a public interest:

George C. West, Vermont Baking Co., White River Junction, Vt., president of the association (1924), to H. D. Likins, business manager, January 5, 1924:

Referring to your letter and the letter from Mr. ——— [Brattleboro, Vt.], he is a very small retail baker, and conditions down there have been very bad. There are more bread trucks running in Brattleboro than in some of the large cities and the Dolly Madison [Springfield, Mass.] and Bond [General Baking Co., Springfield] plants had a scrimmage, and the conditions have been a little better. We have a commission truck there, as well as Ed Zeno [Zeno Bakery Co., Inc.], of Bellows Falls [Vermont], and the General Baking Co., so that I expect it has looked mighty bad to him. At the present time conditions are pretty good, and I would, if I were you, call to his attention the fact that it was through the association that the General Baking Co. stopped giving a loaf with every two, and through them that the Dolly Madison plant stopped their unfair doings. Tell him that as far as you know they are all getting a fair price in Brattleboro now. He is rather a nervous erratic German, so do not try and tell him too much. Tell him what we have actually done and are working all the time with these larger bakers to get them to play fair, and ask him if he has any special grievances at the present time. The trucks that are in there are all, most all of them, commission trucks and none of us have [as] much control over them as if they were salary men; they practically own their trucks. I know our man does. I am writing Mr. ——— myself, as I am personally acquainted with him and it may help you a little bit.

Walter H. Dietz, Massachusetts Baking Co. (later subsidiary of Continental), Springfield, Mass., member of board of governors (1924), to Mr. Likins, February 6, 1924:

In view of the premium propaganda going on I hope you will get out the next copy of the Bulletin very soon, containing the little article on the code of ethics, which I prepared.

Harry N. Brown, sales manager Worcester Baking Co., Worcester, Mass., to Mr. Likins, February 16, 1924:

I have no news of the Millbury [Mass.] situation being any more favorable. I really believe that it will require another visit and some good, hard work to line them up. At the same time would suggest that you plan to make a visit to Woonsocket [R. I.] and call on Emidy Bros. It might help to line the Millbury boys up. Emidy Bros. come up from Woonsocket and sell bread at 9 cents through the valley towns, which include Millbury and North Grafton [Mass.]. They also ran a premium campaign in which coupons might be saved to get a shopping basket. This makes them a serious competitor to our Millbury friends in some sections, and of course gives them a price edge on the Worcester bakers, Hathaway [C. F. Hathaway & Sons, Boston], and the General Baking Co. in territories that interlock. If I can be of any service to you in this, will suggest that you let me know a few days ahead so that I can plan to spend a day with you.

Mr. Likins to George D. Beroth, Beroth Bread Shop, Hartford, Conn., president of the association, January 8, 1925:

I have been very busy these days holding conferences with various bakers in this section trying to overcome bad trade practices, but it seems almost hopeless, as each man claims the other man is the worst offender and that they are doing nothing to speak of.

Mr. Likins to Carl R. Blanchard, Massachusetts Baking Co. (subsidiary of Continental), New Haven, Conn., member of board of governors (1925), January 19, 1925:

This price situation is keeping me on the jump, and I get calls from all sections of the territory, and I never know when an emergency will arise which calls for my making a quick trip to some district where they have called a meeting.

D. C. Bibeau, manager New England Bakery Co. (later subsidiary of Continental), Lawrence, Mass., January 19, 1925:

Under separate cover I am sending you the loaf of bread in which the inclosed coupon was. This will show you how urgent it is to have representatives of the Ward and Bond [General] bakeries present at our meetings.

This coupon business is totally against the rules of the association, and the bakers around here are losing faith in this association if this is the way the rules are to be upheld. If these people had their representative present at our meetings we could then thrash these things out with them.

Mr. Likins replying to Mr. Bibeau, January 20, 1925:

I have had interviews with both Ward and General in regard to sending men to attend local meetings. Ward is willing, but so far I have not been able to get the consent of the General, but I shall make one more effort to see Mr. Shepard [General]. At the time I saw Mr. Shepard I had not seen the Ward people, but perhaps if he knows that Ward is willing to send a man he may change his mind.

In regard to the 5-cent coupon of Ward, I have already had a conference with the Ward people, and they inform me that this is only to run two or three days. They had these coupons on hand and decided to clean them out. It certainly is tough to have these things come up, but I have told them what we think of it.

Mr. Likins to George C. West, Vermont Baking Co., White River Junction, Vt., member of board of governors (1925), January 22, 1925:

In regard to bread prices, I have nothing to offer as yet. The large local bakers say there is nothing doing as yet, but some of the retail bakers are asking more for their product. I understand the bakers of New Hampshire have held a meeting and all agreed to ask more, with the exception of Romeo La Forme [Nashua Baking Co., Nashua, N. H.], and he telephoned me on Monday that they were waiting for him to act and he was waiting for Massachusetts bakers to go up, but after talking with me I was given to understand that they would raise their price everywhere except where they came in competition with bakers in Massachusetts.

At the present time I am having a run-in with the Ward people. They are inclosing a coupon with their bread good for 5 cents on the purchase of any Ward cake and a coupon in each package of cake good for 5 cents toward a loaf of Ward bread. Gibson [Ward] claims it is only to run about three days. I have just talked with Mr. Gibson on the phone and he says that this will be the last day; that is, they will appear in the productions which will be put on the market Friday. He says it is a country-wide run and not just in their own plant. Such things as this, of course make it tough going for the association. This bread and milk combination which has been running here in the Boston area is leading to further expansion. One large creamery concern is now going to give away a loaf of Bond bread with 2 pounds of butter. I have talked with Mr. Shepard [General] about it, and he says they can not control this giving away, and he assures me that this concern is paying full price for the bread, with no discounts.

Mr. Likins to George D. Beroth, Beroth Bread Shop, Hartford, Conn., president of the association (1925), January 22, 1925:

The new letterheads were only received yesterday and I have been on the jump ever since tracing down rumors on price cutting here in Boston, which has prevented my getting your letters written. However, I will try to reach them by to-morrow.

* * * * * * *

The price situation here is getting to be fierce, and the bakers are calling me up all the time on one thing or another. Ward has just thrown a wrench in the cogs by putting out a coupon with each loaf of bread good for 5 cents on the price of a box of cake and in each cake package a coupon good for 5 cents on the price of a loaf of Ward bread. It has been running all week and to-morrow is the last day. Such things as that certainly cause me trouble. Now comes along a creamery concern who is going to give away a loaf of Bond [General] bread with 2 pounds of butter. Fine business and a great help to me in my work.

A largely attended meeting of bakers from Manchester and Nashua, N. H., it was reported by the trade papers, was held in Manchester the latter part of January, 1925—"when matters of great import to the industry were discussed. Final action was deferred until a later time, when it was hoped to have bakers from Concord [N. H.] and Laconia [N. H.] present." However, a price increase of 1 cent on the standard loaf and 2 cents on the larger loaf was made by the Manchester bakers February 1. As shown by a letter written by Mr. Likins to Mr. Beroth, February 4, 1925, the New Hampshire bakers met on that date at Manchester and shortly thereafter Bakers Weekly in a news item furnished by Mr. Likens announced that "the New Hampshire bakers, after several weeks' deliberation, have decided to take their chances by raising all bread prices." The following paragraph is from Mr. Likins's letter:

I certainly am as busy as I can be trying to get the bakers in different sections to go up on their prices, but in nearly every case no one is willing to go up unless they all do, and most all of them are waiting for the large producers. We are to have another meeting in Waltham [Mass.] on Monday afternoon. I am to be in Brockton [Mass.] to-morrow night and at Methuen [Mass.], which is the Lowell [Mass.] and Lawrence district [Mass.], next Tuesday, the 10th. The bakers of New Hampshire are having a meeting in Manchester to-day, and I hope to know the results to-morrow.

Mr. Likins to Mr. Beroth, February 10, 1925:

I attended another meeting in Waltham [Mass.] yesterday, and, while it was not as complete as we hoped, I think every [thing] is set now for a general advance in prices all along the line for the retailers in that city.

There is to be a large meeting in Methuen, [Mass.] to-night which takes in the cities of Lowell [Mass.] and Lawrence [Mass.]. I am making my plans to attend this meeting.

In connection with the above Waltham meeting it was announced by Bakers Weekly of February 14, in a news item furnished by Mr. Likins, that "the retail bakers of Waltham have finally seen the handwriting on the wall, with the result that prices of all products have been advanced."

Mr. Likins to W. H. Dietz, Massachusetts Baking Co. (subsidiary of Continental), February 16, 1925:

I certainly have been on the jump these days with meeting after meeting, the main subject of course being price and unfair competition, such as the Ward coupons.

Mr. Likins to Mr. Beroth, February 19, 1925:

Everything seems to be plugging away just the same here in this section. The price situation remains the same; the only remarks I have heard are from the Hathaways [C. F. Hathaway & Sons, Boston], who claim that they raised the price of all their products, except pan bread, and immediately their men were followed around by competitors who offered to furnish goods at the old prices, so, naturally, the Hathaways do not feel very good about the prospects of making an advance in bread.

This week the O'Keefe chain stores opened their new bakery, which is the rebuilt plant of the Pratt Bread Co., and are offering their own bread in their own stores for 9 cents, same as A. & P.

Mr. Beroth to Mr. Likins, February 20, 1925:

The wholesale bakers in this vicinity succeeded in getting the price on rolls and buns advanced, and I have heard of no backsliding.

We have advanced the price on the greater part of our products and have up to this time experienced no reduction in volume. The head baker tells me that to-day's order is the biggest we have had for many months.

The association is aided by the allied trades not only in financial and organizing assistance but in holding the baking trade in line on

prices. The following is taken from a letter written by W. C. Fogg, district manager of The Fleischmann Co., Portland, Me., to Mr. Likins, October 16, 1924:

Have been working on the bakers in Lewiston [Maine], as they have been cutting and slashing the prices of French bread until they got down to 7½ cents for 1½-pound loaf of French bread. The high price of ingredients has made them sit up and take notice.

Got a call the other night, as they were going to have a meeting. Went up there and addressed them. Everybody agreed to put the price up to 10 cents, wholesale, and all put their names on a paper to join a new bakers' association which will be known as the Lewiston Auburn Bakers' Association.

It is generally understood and admitted by the baking industry in New England that the bread-price situation in that locality is dominated by the larger companies—Ward, General, and Continental. Such companies are therefore necessarily involved if prices are "stabilized" satisfactorily to the trade. This is borne out by the correspondence of the association, whose activity is constantly in the direction of holding the larger companies in line with the smaller. Mr. West writes to Mr. Likins October 24, 1924, as follows:

What is the trouble up in Portland [Maine], that you have to go up there? Do you hear any talk of a change in prices by any of the larger bakers? A number of bakers up this way have asked me if there was any talk in regard to the change in prices. As far as I could find there at Swampscott [convention of associations in September], in talking with Alton Hathaway [C. F. Hathaway & Sons, Boston] and Frank Shepard [General Baking Co.], they did not anticipate anything of the kind. If you get any information along this line I would be glad to hear it.

Mr. John Nissen, John J. Nissen Baking Co., Portland, Me., general vice president of the association (1925), to Mr. Likins, December 16, 1924:

Of course you are aware that the price of flour is still going up, and the bakers in this part have about come to the conclusion that we will be obliged to advance our price soon. If you think favorably of arranging a meeting in the near future, and, as stated, if Mr. Brazier [Cushman Baking Co., Portland Me., member board of governors, 1925] and myself can be of any service by coming up there, we shall only be too glad to come.

Confidentially, for your private information. Mr. Brazier is having a meeting with the local manager of the A. & P. Co. regarding them advancing their price also and I understand that they look favorably on the proposition. Just how much they will advance the price I do not know at this writing. As a matter of fact, Mr. Brazier is just with them now.

You are aware that they are considerably underselling us on the price of bread, and we thought that if the A. & P. would advance their price here that that fact would have a favorable influence on the chain stores in Boston doing likewise.

Mr. Likins replying to Mr. Nissen, December 17, 1924, as follows:

I took up with Mr. Gibson [Ward Baking Co.] the question of a better price for bread in your territory, and he says that they can not raise the price in any one territory, but that they do not ship any large quantity into Maine, and while they maintain a man in that territory all the time they would instruct him not to make any move to get additional business if the bakers of Maine decide to try to get more for their bread. This is along the same lines as laid out by the General. In the meantime I shall be interested to know the result of the conference yesterday with the chain stores you speak of.

While the correspondence files of the association do not disclose the results of the activity of these association officials, Messrs. Nissen, Brazier, and Likins, the commission's agent at Portland found that bread prices had been increased 1 cent a loaf on January 2, 1925, both by the local bakers and by the A. & P. Co. stores which receive their bread by express from the A. & P. bakery at Somerville, Mass.

That the association's activity was responsible for the above results and that an agreement covering interstate commerce was involved, since three of the parties were shipping to Portland, Me., from Massachusetts, is shown by Mr. Likins's comment made to the commission's agent, as follows:

The advance in Portland was made with the knowledge and consent of the Ward Baking Co. and the General Baking Co. and as a result of conferences had with these two companies by Mr. Nissen, of Portland, and probably a few other independent bakers. I understand that it was practically agreed to by the General, Ward, and Nissen that Nissen should go ahead, advance his prices, and give it a trial for three months. Outside competition in Portland vicinity is not so keen as it is in Boston, where there is competition from all directions and of all kinds. The General took this attitude: "We ship bread there [Portland], but we will make no special effort to increase our sales and give Nissen a chance to see what they [Nissen] can do." Ward Baking Co. took the same attitude, saying: "We can not control our man there [Portland], but we will make no concerted drive for business."

At the annual meeting of the association held in December, 1924, at Hartford, Conn., the questions of higher prices and of the giving away of bread by Ward's, especially in the vicinity of Boston, were freely discussed, and as a result a committee was appointed to wait upon W. B. Ward, New York City, who was then president of the Ward Baking Co. Upon this committee were George D. Beroth, the newly elected president of the association; George C. West, retiring president and member of the board of governors; John J. Nissen, general vice president; J. E. Brazier, member of the board of governors; and H. D. Likins, business manager. "We felt," said Mr. Likins to the commission's agent, "that if we went down to New York and laid down our cards—showed them [the larger bakers] how the smaller ones were suffering, that perhaps they would advance; and if they did, the others would come along all right."

Nothing was accomplished at this time toward increasing prices, but in regard to free bread, according to Mr. Likins, Mr. Ward's attitude was one of surprise, and he suggested that the committee meet their local manager at Boston. The participants in this meeting and results are set out in a letter by Mr. Likins to Mr. Beroth, December 15, 1924:

We reached Boston O. K. Friday morning and immediately I got in touch with Mr. Hathaway [C. F. Hathaway & Sons] and Mr. Gibson, of the Ward Co., and at their suggestion we had Mr. Shepard [General] join us, with the result that six of us, the three mentioned above, Mr. West, Mr. Nissen, and myself, had lunch at the City Club that noon and then sat around the table until nearly 5 o'clock, going over matters. We started the ball rolling, and Mr. Gibson is anxious to get on the wagon. Owing to some promises he had made to his men, he felt that he must consult with New York before giving his word that they would cut out their free-bread practice, and the others could see his point, but we are to get together again very soon, at which time I think we may invite all of the large local producers to sit in the conference.

All felt we had made a good start on our work.

Mr. Beroth, replying to Mr. Likins, December 16, 1924, said:

The report of your conference in Boston reads well, and I hope the second one will result in clearing up the bad feeling. I was agreeably surprised by Mr. Ward's reception of our committe. I expected him to act "upstage," like some of the Wards who were his predecessors.

Mr. Nissen, it appears, was not satisfied with the Boston meeting, and had this to say of it in a letter to Mr. Likins, December 16 1924:

Since my return from the convention and reflecting on our meeting in Boston and the rather unsatisfactory outcome of that meeting, inasmuch as we did not

come to any conclusion in adjusting the unfair practices conducted by a large baking company, Mr. Brazier [Cushman Baking Co., Portland, Me., member of the board of governors, 1925] and myself, talking over the matter this afternoon, were wondering if you had made any further effort in bringing those gentlemen together in another meeting, or if we can be of any assistance to you in the matter.

To this Mr. Likins replied, December 17, 1924, as follows:

Your letter of the 16th instant received. I have not as yet been able to get a second meeting, as I wanted to give Mr. Gibson [Ward Baking Co.] an opportunity to communicate with the men he spoke of. However, I have had a long talk with Mr. Gibson this morning and I find he is in a position now to meet again and go over matters. He was not aware of what we had on our mind when he entered the meeting last Friday, but he has now checked up several matters and will meet with us any time we say. In the meantime I find Mr. Hathaway [C. F. Hathaway & Sons, Boston] is out of the city, and Mr. Sheperd [General] can not be reached this day, so I will have to wait until to-morrow or possibly Friday.

However, it is my opinion, after talking with others, that this meeting should be a large affair, with representatives present from all the large producers.

On December 18, 1924, Mr. Likins wrote Mr. Beroth:

I had another conference with the Ward Baking Co., and it will be necessary to hold another meeting right after Christmas, at which time I think it will be necessary to have all of the large producers present, as I find all of them are involved in one way or another. I will keep you posted.

To the commission's agent Mr. Likins commented as follows on the foregoing:

After two or three days Ward's Boston representative said he had given orders that certain practices be reduced—giving free bread and exchanging bread, on which latter proposition they were very bad. After this I believe they did reduce the amount of bread they were taking back; also the volume of free bread they had been giving, although we never did get any definite lines on that.

A division meeting of the association was held at Bridgeport, Conn., the latter part of January, 1925, in order (in the words of one prominent baker paticipating) "to bring about an advance in the price of sweet stuffs."

Said Mr. Likins of the action at this meeting:

Bakers were suffering for want of better prices. They all knew, from results of previous efforts, that it was hopeless and useless to look for any help from the large bakers, especially in the price of pan, or regular bread; but they did feel that on rolls, doughnuts, etc., there was a chance to get some better prices. They mapped out a tentative schedule of prices, and it was decided that a committee should go to New York, wait upon certain of the larger baking companies, and see if something could not be done to bring about an advance. On this committee were Mr. Julius Roth, of Adams-Roth Baking Co., the largest wholesaler at Bridgeport; Mr. [J. F.] Hohl, a retail baker of New Haven [retail vice president of the association, 1925]; Mr. Parker of Parker & Buckey, Waterbury, Conn., and myself.

The committee saw George G. Barber, chairman of the Continental Baking Corporation, which was then in process of organization. While Mr. Barber professed sympathy, he feared unfavorable publicity in that the new combination might be charged with causing increase in prices. He, however, advised the committee to see C. O. Swanson, president Massachusetts Baking Co. (subsidiary of the Continental), who, he said, "has authority to tell you anything you want to know." This suggestion was followed by the committee. F. H. Frazier, vice president and director, General Baking Co., was also seen by the committee, who were advised to take up their difficulties with the company's manager in Connecticut. Very shortly after the committee returned from New York there was an advance in price of sweet stuffs. Sweet rolls were advanced 2 cents per dozen. Other specialties, including dark breads, took similar increases. At Bridgeport, Conn., the trade papers reported prices to have been raised on February 4 from 1 to 2 cents on all breads and rolls.

In the case of one price struggle the association was occupied for nearly two years seeking to bring the parties involved to an understanding. When the General Baking Co. purchased the Dexter plant in Springfield, Mass., in 1923, Andy Johnson, who had been sales manager for the Dexter, became associated with the Dolly Madison Co. (Springfield) as sales manager, and, it was charged, hired some of the General's drivers. The General retaliated by giving to the grocer one loaf free for every two purchased, and later one free for every one purchased. This situation spread until it affected not only the territory served by the Dolly Madison Co. but others as well. Numerous letters passed between officials of the association and parties involved in the price war. Quotations from a few of these appear below.

In a letter by Mr. Likins to W. H. Dietz, Massachusetts Baking Co., Springfield, Mass., member of the board of governors (1924), February 8, 1924, he writes concerning an interview of the day before with Mr. Baldwin, of the Dolly Madison Co.:

Mr. Baldwin was rather positive in his statements that there had been a great deal of underhanded business going on. Of course to me it is the same old story of making a mountain out of a molehill, but Mr. Baldwin felt that, so far as he could tell, he saw no reason why the different people in Springfield should not get together around the table and have some sort of an understanding or mutual explanation on all sides. I went into different phases of the situation, intimating to him that for practically two years the local members of our association had allowed their concern to go along doing business their way and holding our members in check from attempting to retaliate, but that our members were getting very restless and felt that some action would have to be taken to combat the situation.

Mr. Likins to George C. West, Vermont Baking Co., White River Junction, Vt., president of the association (1924), February 16, 1924:

Referring to Springfield situation. It begins to look as if we would be able to make a start there, and we have decided to call a meeting for Wednesday afternoon February 20, at 4 p. m. at the Hotel Kimball, at which time we hope to have representatives from the General Baking Co., New England Baking Co., Massachusetts Baking Co., Dolly Madison Baking Co., Otto Dreikorn [Dreikorn Bakery, Holyoke, Mass.], and Mrs Julia McGrath [Mrs. McGrath's Bakery, Springfield], and if you could come down I believe it would be a wise move. We are also trying to get Mr. Frazier, of New York, vice president, General Baking Co., to be with us.

S. M. Gleason, manager Springfield bakery, to F. H. Frazier, vice president General Baking Co., New York City, February 21, 1924:

Subject: Bakers' meeting.

Mr. Likins presided. Also Mr. West, Mr. Swanson, Mr. Dietz, sr., Mr. Deitz, jr., Mr. Dreikorn, Mr. McGraw, Mr. Freeman, and Mr. Hudson, of the Dolly Madison Co.

We sat in and discussed pro and con conditions from 4 until 6.30, and adjourned at 6.30 for lunch, and back on the job at 7.30, and were still discussing things until 10 o'clock and after, with the outcome that we did not get everything ironed out, and we are going to have another meeting this coming Wednesday.

There was very good feeling among all in attendance. Mr. Hudson expressed himself very clearly along very good business lines, and we are in hopes to get a good many problems ironed out to our entire satisfaction.

The first point gained, this week we have a legal holiday, Friday, and the Dolly Madisons have always in the past turned out their rigs on holidays, even on Christmas Day, but Mr. Hudson gave his word they would not go out, and, in fact, all of them are lined up along the same line, and that one thing is accomplished.

Will give you the findings of our next meeting.

Mr. Gleason to Mr. Frazier, February 28, 1924:

Subject: Bakers' meeting.

Going to discontinue Sunday delivery and also discontinue return of stale.

We had our first meeting a week ago last Wednesday, and last night we had another meeting that was well attended by all Springfield bakers and surrounding territories. We had a very nice crowd, about 28 or 30; and the State law reads that we can not deliver on Sunday; also that the exchange of stale bread is prohibited by the State law.

It was voted that the New England Bakers' Association would notify the proper authorities of the city and State, and also notify the grocers and bakers of the date that the two above should be discontinued.

The matter was brought up in regards to the General Baking Co., and also Ward Baking Co., regarding Sunday delivery in Boston. I believe that one of the Ward's men and one of the General's men were arrested and test cases made and the men were fined. We would like to know if this is a true statement.

Mr. Gleason to Mr. Frazier, March 3, 1924:

Johnston hired our man Bailey from Northampton, and, of course, he left our route on Saturday night and took over the route for Dolly Madison on Monday over his old territory and approximately split our route in two, or even more than that. This route slumped from $691 to $226. The Dietz Baking Co. also put on a route up through there.

In Greenfield Johnston hired our Mr. Clough, he leaving our plant Saturday night and taking the Dolly Madison out on Monday. The same thing prevailed there, and on the same day White Rose put on a route and the Greenfield Baking Co. put on a route also. The route dropped from $396 to $168.

Of course, we realize that eventually we are going to come back, but all these conditions make it hard sliding.

In New London the first outlook was that Mr. Johnston was going to take two of our men, but we held one. This man Nisson left our company on Saturday night and Monday morning started out over the same territory with Dolly Madison bread. This route dropped from $1,238 to $844. The other route, Mr. O'Neil's, dropped from $1,025 to $975. Mr. O'Neil has done splendidly, taking everything into consideration, and also the other route, but we are having our battles.

Mr. Dietz to Mr. Likins, May 19, 1924:

Just a line to tell you about what is going on in this territory. General Baking Co. has started a bread war in New London, giving one loaf free with every two purchased, until Saturday, when they started giving two for the price of one. I understand that, beginning to-day, similar tactics will be followed in the territory around Pittsfield. The General Baking Co. has had a very unfortunate experience with the introduction of Bond bread, which was openly ascribed to Andy Johnston, of the Dolly Madison Co., and which, I think, among themselves, they blame all their competitors in general for. After discussing the matter in detail it seems to me that the principal blame is attached to themselves on account of the manner in which they have handled their personnel and also on account of the poor loaf they were producing for some time. Of course, this statement is made to you in confidence, but I want you to have as much knowledge of the situation as possible, for in all probability you are going to hear more about it, especially when it spreads up in Berkshire County. The General Baking Co. expresses only a friendly feeling for all competitors excepting Dolly Madison, but I am rather skeptical about it. They need more business, and it looks as though they are willing to resort to any means to get it.

Mr. Gleason to Mr. Frazier, June 10, 1924:

Mr. Lampron, formerly manager of the Dolly Madison Baking Co., was in to see me and we had quite a nice talk along the general lines of the Springfield proposition, and he seems to be pretty well advised as to the situation, and he says he is going to New York to meet R. B. Ward, and if he has a little time, he will drop in to see you personally.

He advises that he is going to open up, but just how soon he does not know. He also stated that he had hired 14 of the Dolly Madison salesmen to come with him on his opening day. He gave me to understand that he had some applications from our organization, but none of them would be accepted, and hoped that we would not take any of his men. I assured him that the policy of our company was not to molest anyone else's organization and our company was not going to change that policy, and, knowing the policy of our company as well as I do, I certainly would not attempt to make any changes.

He knew of our two and one proposition and felt that we were giving them a pretty good run for their money in these agencies where it was a long-arm proposition and a very expensive proposition to operate, and that he was going out to trim them in the city here.

His talk was fair all the way along the line and assured me he wanted us to cooperate with him and he would do the right thing and the fair thing, and we in return would be fair. I assured him that we would be and also stated to him that I would write you a letter and hoped that he would be able to have a visit with you in New York.

Mr. West to Mr. Likins, July 24, 1924:

I have heard from Mr. Deininger [president General Baking Co.] two or three times and I am afraid that the Springfield situation is a hopeless case, but I am still in touch with Mr. Deininger and Mr. Hudson [Dolly Madison Co.], but they all seem to be afraid that Lampron [formerly manager Dolly Madison, now starting Lampron Bakery, Springfield] will act bad when he gets started. If you hear anything in regard to the situation or know of anything that can be done to help, let me know.

Mr. Dietz to Mr. Likins, August 2, 1924:

Undoubtedly you are constantly receiving complaints concerning the activities of the General Baking Co. in this territory. As you know, they started a price war in Pittsfield also, for the apparent reason of driving the Dolly Madison Co. out. Latest reports to reach us are that their purpose has been accomplished and that Dolly Madison has withdrawn from the territory, but the General Baking Co. continues to maintain the price cut.

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Mr. Swanson [Massachusetts Baking Co.] is the chairman of the industrial relations committee. He is in an embarrassing situation because he is an interested party. Consequently, his hands are tied to some extent. But I do feel that officials of the association who have no ax to grind in the matter should take action of some kind. Here is an instance where the association ought to at least make an effort to set things right. To my knowledge, nothing has been done.

Mr. Likins to Mr. West, August 4, 1924:

The inclosed letter was received this morning from Walter Dietz, but before doing anything I wish to have your advice. Mr. C. O. Swanson is usually in Boston on Mondays, and I succeeded in reaching him and had a talk this afternoon. They all feel very sore over the action of the General in cutting prices in other territory than that covered by the Dolly Madison. He says he is going to write you a letter and outline some of his ideas. He believes the association should hold a meeting and vote to suspend the code of ethics for the time and let all of our members go to it; in fact, use my office as a central office for the procuring of premiums, etc.

Mr. West to Mr. Likins, August 5, 1924:

Inclosed you will find Mr. Dietz's letter. I am at a little loss to know just what to do in the matter; in fact, I think that anything that the New England Association can do will be useless unless they want to get together and put enough money into it and make a complaint to the Federal Trade Commission and employ an attorney to serve an injunction on the General Baking Co. for them to stop right where they are. It might be well to call a meeting of the board of governors, together with the industrial relations committee, and talk over some plan to be carried out, and also to arrange for financing same. I wish that you would talk with the Hathaways and possibly [Corwin] Wickersham, [district manager, Fleischmann Co., New York City, N. Y.] and see what they

think of it. There is no question but what there is two sides to this quarrel. The Dietz plant did not do as they should have by the General Baking Co., and the Dolly Madison plant has been acting bad all the time, as you know. I am writing Walter Dietz myself to-day. I have written to Mr. Deininger several times, as you know, but I am unable to get him to come to Springfield as yet. I think that a discussion of the thing at the City Club by the board of governors and industrial relations committee will be the proper way to handle it. As soon as you have talked with some of them, if you think best to call a meeting, I shall be glad to come at any time. The sooner it is done the better, and I think that it would be better to call the different ones on the telephone rather than to take the time to get out a letter.

Mr. Likins to Mr. West, August 8, 1924:

Referring to your letter of the 5th instant. I have had a conference with both Mr. Alton Hathaway and Corwin Wickersham. Hathaway seemed to think that the best plan would be to have someone, mentioning me, go and see Frank Shepard and explain the matter to him and let him know that the life of the association was at stake and that it was our opinion that it was time for the General Baking Co. to fall into line and cut out this business in the Springfield district; otherwise we could only think that they were going after business in any manner just so they got it. On the other hand, Wickersham does not feel that we would get anywhere that way. He does not think it would do any good to have a meeting of the board of governors and the industrial relations committee, for they would only sit around and talk and make no progress. He suggests that you and I make arrangements for Mr. Swanson and Mr. Walter Dietz to meet us in New York and have a conference with Mr. Deininger, Mr. Frazier, and Mr. Shepard, at which time we could thrash out any matters between them. Both Hathaway and Wickersham think it would do no good to call a board meeting. I have just been talking with Hathaway on the phone and he still thinks that Mr. Shepard could smooth this whole matter out if he would, but he thinks the suggestion of Wickersham is O. K. if we are willing to make the trip to New York.

Then follow several letters between Messrs. Likins, West, and Dietz, referring to conferences and other correspondence, all in the attempt to arrange a peace conference between the parties carrying on the price war at Springfield. Finally, a conference of all parties interested was arranged for August 27, 1924, as shown by a letter from Mr. Likins to Mr. West, August 22, 1924:

Upon my return to the office this morning I find your letter of the 19th instant inclosing copy of a letter sent to Walter Dietz. I was in Springfield yesterday and had a conference with Walter and he tells me a meeting has been arranged for next Wednesday, the 27th, to be held in the Highland Hotel at 3 p. m. I understand that Walter has been assured that all parties interested will be there. Unless you have any objections, Walter thinks it would be well for me also to attend this meeting.

This situation in Springfield is very serious, for I heard a lot about it while in New Haven on Wednesday, and I feel that the life and usefulness of the association is at stake if this situation is not cleared up. I understand the Pittsfield division is all shot, and I have not dared go up there until I had some definite information to convey to them.

From further correspondence, not here quoted, this conference appears not to have been completely successful, but other conferences followed, as shown below.

Mr. Likins to Mr. West, September 12, 1924:

In regard to the Springfield situation, would say that Mr. Shepard telephoned me this morning that at their meeting in New York this week it was decided that no conferences would be held with Mr. Steiger [Dolly Madison Co.] or anybody, but that, going on the assurances given by the various interests involved that all relations would be conducted in a fair manner from now on, that being Monday morning, September 15, the General Baking Co. would go on a regular basis and give the other concerns involved a chance to do likewise. If the trouble was not straightened out then, that the General Baking Co. would then be in a position to take further action. Mr. Shepard had a conference with Mr. Phelps, of the New England, this morning, and immediately afterwards Mr. Phelps got busy

and has gone to Springfield. There is to be a conference in Springfield this afternoon, and I shall hope to hear that all the obstacles have been removed and a peaceful settlement brought about. Let us hope for the best.

Finally the association saw its efforts to secure peace between the General and the Dolly Madison successful.

Mr. Dietz to Mr. Likins, October 22, 1924:

Things are going along very well here in Springfield. I arranged for a meeting between Mr. Steiger and Mr. Deininger in New York. Since then I have had a letter from Mr. Deininger and an interview with Mr. Steiger and both expressed great pleasure and satisfaction at having had the opportunity to become acquainted. Now I think Dolly Madison will cause no more trouble.

Mr. Gleason to Mr. Frazier, November 7, 1924:

In regard to the matter I talked with you about over the telephone yesterday, the bakers had a meeting yesterday afternoon and also one in the evening with the smaller bakers, and Dolly Madison has agreed to cut out all premiums after the 1st of January. Dricorn [Dreikorn] says he will fall in line; McGrath says the deal he has on hand will last until about the 1st of February, then he will discontinue. Lampron was not at the meeting, but he says he will cut his out the 1st of January. I did not attend the meeting, as I said I would not, but Mr. Freeman was in my office this morning and gave me the details of the meeting.

They also talked about discontinuing the return stale, and they wanted to know how we felt about it, and I said we felt the same as we always have, that we were not in favor of taking back a lot of stale bread. They wanted to ask the State of Massachusetts to enforce this law, but that wouldn't do any more good than in the past; they would take returned stale just the same, but if they got together and said they would discontinue to take back stale we would fall in line; that we were endeavoring to have as little stale as possible, and most of the stale was in the immediate Springfield and suburbs; from our agencies we have very little stale.

Mr. Gleason to Mr. Frazier, April 7, 1925:

I also want to mention the fact that the Lampron Bakery contest is supposed to run out this next Saturday, and, as I understand it, they are to discontinue any more premiums. Is that your understanding of the matter? The reason why I bring this matter to your attention is because I understand that Dolly Madison has carried out their agreement with Mr. Deininger along this line, and they were surprised to see that the Lampron Bakery got by with this last deal, and no doubt if the Lampron Bakery pulls another one Dolly Madison will be ready to pull one also.

Letters above, dated February 21 and 28, March 3, June 10, and November 7, 1924, and April 7, 1925, are from the files of the General Baking Co. Commenting on the situation shown in these and other letters of a similar tenor from the same file, Mr. Frazier said:

This relates to the territory adjacent to Springfield. To recover some business we had lost through unethical competition, such as, hiring away our men, distribution of free bread, premiums, etc., we temporarily made an offer [two loaves for the price of one] with the idea of reinteresting in the superior quality of our product those consumers on a few route districts who had been lost to us. This situation was forced upon us, and our action was contrary to our fixed policy of "no retaliation." In other words this situation having been forced upon us, we, to safeguard the company's interest, were driven into the above action. When our distribution got to a point where we thought we could safely let that go, we abandoned it.

Trouble broke out again at Springfield and Holyoke, Mass., toward the close of 1925, involving both big and little bakers and was finally settled by a price agreement. The situation is explained by the following, taken from a letter by Mr. Likins to O. F. Parker, Parker-Buckey Baking Co., New Britain, Conn., president, New England Bakers' Association (1926), December 14, 1925:

You doubtless are anxious to hear how I came out in my troubles in Springfield and Holyoke. I spent three days on this job and finally got a conference

Saturday afternoon with representatives of the General, New England [subsidiary of Continental Baking Corporation], White Rose, [Massachusetts Baking Co., subsidiary to Continental Baking Corporation], and Dreikorn [Dreikorn Bakery, Holyoke, Mass.], and after two hours we ironed everything out, and Mr. Dreikorn agreed to stop his giving away of bread in Springfield; also premiums, with the exception of pencils and broom holders, which were not considered as premiums; on the other hand, the three concerns involved agreed to restore prices to normal. All to take effect Monday morning, December 14.

On the other hand, Dreikorn was to submit a list to me of certain people that had been promised a certain gift that he was giving out and which the other side agreed he should carry out his promise, but to pin him down he was to submit a list to me at once, so I would have a record, but that list has not arrived as yet.

I do hope this matter works out O. K., for it sure was a mess and was spreading. I sure had to do some pleading and talking.

Section 9. Philadelphia, Pa.—Advance in bread prices, February, 1925.

The Philadelphia Bakers' Club was organized about the end of 1924. Its membership includes practically all the representative wholesale bakers of Philadelphia (about 20 in all). Two of the largest chain-store concerns operating in Philadelphia—the Great Atlantic & Pacific Tea Co. and the American Stores Co. (both of whom have their own bakeries)—are also members. In addition to the wholesale bakers the membership in the club includes about an equal number of allied tradesmen.

Dues are $25 per year per member. There are no salaried officers.

Several members of the club were interviewed. They stated that the club is merely a social organization and that there never were any price discussions at club meetings; in fact, according to the vice president, F. M. Glazier, "it was already understood that there shall be no reference at any meeting to prices, and this has been rigidly adhered to." This statement, in effect, was also made by several other members interviewed, including L. J. Schumaker, of the American Cone & Pretzel Co., president of the American Bakers' Association at the time of this interview.

On February 9, 1925, there was a general advance in wholesale and retail bread prices at Philadelphia. This was apparently a flat advance of 1 cent per loaf, and, according to the statements made by several of the leading wholesale bakers, the advance in price was necessitated by reason of the increased cost of flour.

One wholesale baker stated to a representative of the commission that "flour had gone up $3 per barrel and the raise of 1 cent was justifiable and necessary." Another wholesale baker stated that his company had made the advance "of necessity, due to increased flour prices, and would have made this advance regardless of what the others did."

This advance in bread prices was made effective by the various wholesale bakers as of Monday, February 9, 1925. A number of the bakers issued printed or mimeographed price lists which were distributed to their salesmen shortly before February 9, 1925, the purpose being to advise not only the salesmen but also, through them, their customers.

Moreover, these announcements of price changes were sent out to competing wholesalers. The Freihofer Baking Co., a few days before the advance in price was to be effective, mailed to several of its competitors a mimeographed price list, headed as follows:

Following are complete price revisions, effective on delivery, Monday, February 9, 1925.

Then followed "varieties" of product, with the revised "wholesale" and "retail" prices.

Some of the other wholesale bakers also mailed to competitors copies of price lists, effective February 9, 1925. At least one wholesale baker interviewed had several such price lists which he stated he had received from his competitors.

In addition to the mimeographed price list above referred to, the Freihofer Baking Co. also issued a printed price list, bearing the same heading as the mimeographed list. This latter list, however, gave the "wholesale" and "retail" prices of certain loaves as 11 and 13 cents, respectively, whereas the mimeographed list gave the "wholesale" and "retail" prices of the same loaves as 10 and 12 cents, respectively.

These particular loaves or brands covered what is commonly referred to as the "large loaves." As a matter of fact, there was no change in the price of the large loaf until February 16, 1925, when the wholesale price was advanced from 10 to 11 cents and the retail price from 12 to 13 cents.

One of the wholesale bakers interviewed stated that it was originally planned to advance the price of the large loaf, to be effective on the same day as the general advance in bread prices, namely, February 9, 1925. However, due to some difficulty the General Baking Co. (Philadelphia plant) had in first getting approval for the advance from its headquarters at New York, the two other Philadelphia wholesale bakers, who are large bakers and distributors of the large loaf—Freihofer Baking Co. and the Philadelphia Home-Made Bread Co.—could not or rather would not advance unless and until the General Baking Co. could and would do the same. In any event, so far as the commission was able to ascertain, the advance in the price of the large loaf (weighing about 20 ounces) from 10 to 11 cents, wholesale, was not put into effect until February 16, 1925, or one week later than the advance in bread prices generally.

In view of the fact that the wholesale bakers of Philadelphia had made a general advance in bread prices, effective on the same date, February 9, 1925, the effort was made to learn why such was the case. Various bakers, all of whom had made the advance, were interviewed. Without exception, all stated, that there had been no discussion of bread prices at any meeting of the Philadelphia Bakers' Club, of which all were members. Nevertheless, one of the bakers interviewed, when asked if there had not been a "gentleman's agreement" with regard to this particular advance in bread prices, replied, "No question about it; anyone who says anything different is not telling the truth." This same baker also said that the prices, as effective February 9, 1925, governed in all territory reached by the various Philadelphia bakers.

None of the other bakers interviewed would admit that there was any understanding or "gentleman's agreement" with regard to bread prices or any change in bread prices. D. W. Diedrich, treasurer, Freihofer Baking Co., in answer to the question, "How did it happen that all made the advance, the same advance, on the same date?" replied: "Of course W. J. [Freihofer] might have said to some of the other bakers that Freihofers were going to advance and naturally the others would do the same." Again Mr. Diedrich, referring to the advance in bread prices effective February 9, 1925, said: "Per-

haps W. J. [Freihofer] might have said to Conley [Parkway Baking Co.], and to perhaps some of the other Philadelphia bakers, that the Freihofers were going to advance their prices; had to on account of the high prices of flour, etc.; but there was no agreement."

When asked about the advance in the price of the large loaf, which was not made until a week after the general advance in bread prices, Mr. Diedrich's comment was: "Both of us, the Freihofer Baking Co. and the General Baking Co., would naturally have to have the same price, and there is no reason why we should sell the large loaf for less than does the General."

Section 10. Alleged unfair competition among bakers.

The rather numerous instances of price-fixing agreements which have been effected in the baking industry, as shown in this and the preceding chapter, have frequently been the result of price wars. In many cases the correspondence quoted indicates that bakers believed that they were justified in getting together on prices because of the prevalence of what they regarded as ruinous competition. Oftentimes, though not always, this price-cutting competition was alleged to have been initiated by the big baker. Complaints have been made recently from time to time against this practice of price cutting by the big bakers, particularly in Ohio, Indiana, Illinois, and New England. Some of these complaints have been investigated, but without as yet resulting in any formal action by the commission. It may be noted in this connection that in 1919 the commission proceeded against the Ward Baking Co. on account of supplying bread free of cost to retail dealers, but the court, on appeal, decided against the commission on jurisdictional grounds.

It does appear probable, however, that the big baker has secured one advantage to which, it is alleged, he is not fully entitled—that of a price on flour lower than the small baker secures, difference of grade, quantity, cost of selling, etc., duly considered. In Chapter II above, it has been shown that the average price paid for flour by wholesale bakers whose costs were secured by the commission for the three-year period, 1922–1924, was from 60 to 75 cents per barrel lower than the price paid by all flour buyers, including these bakers. This difference in price is doubtless due in part to difference in quality of flour and possibly to difference in selling costs. It is also probably true that competition in the sale of flour to small buyers is less keen and the price for that reason somewhat higher than in the sale of flour of the same grade to large wholesale bakers, the largest of whom are covered by the costs of this report. Another alleged factor is the exceptional buying power of a great combination of bakeries. To the extent that the price reduction to the wholesale baker is not offset by specific economies to the flour miller, the large wholesale baker secures an advantage over the small baker to which, it is alleged, he is hardly entitled. A high official of the Millers' National Federation stated to representatives of the commission that it was his belief that such discriminatory flour prices to the large baker were common and not always willingly conceded by the flour miller, and requested that the matter be investigated. Because of the refusal of several of the largest flour mills to cooperate in the matter, the commission was not able to determine the correctness of this opinion as regards specific cases. (See p. 421.) The price comparison made above, however, sustains it in a measure.

CHAPTER VI.

PRICES OF BREAD

Section 1. Purpose and scope of the chapter.

This chapter deals in the main with wholesale prices of bread, although retail prices are considered more briefly in the final section. The commission secured the statistics of wholesale prices in part by means of schedules and in part through its accountants in connection with their study of costs, but did not find it practicable to make an extended collection of statistics of retail prices.

The Bureau of Labor Statistics of the United States Department of Labor regularly collects and issues statistics of retail prices of a large number of commodities for each of 51 cities in the different sections of the country. The discussion of retail prices of bread given in this chapter is based on the statistics published by that bureau.

The nature of the statistics of wholesale prices collected by the commission and the limitations on their use are discussed at some length in section 2 as preliminary to the study of the statistics themselves, which are presented in the third section. The figures given cover the six-year period 1920–1925 for a small number of cities, and the three-year period 1923–1925 for a much larger number.

The study of wholesale prices is supplemented in the fourth section by a presentation of figures showing the net sales realization on the bread business of wholesale bakers. The fifth, or final, section, as has already been said, is devoted to retail prices, and the six-year period 1920–1925 is covered.

Section 2. Nature and sources of the statistics of wholesale prices, field covered, and methods adopted.

Nature of the statistics.—Satisfactory statistics of bread prices for different cities or regions are difficult to secure for various reasons. Among these may be mentioned the following: The great multiplicity of kinds and brands of bread sold, differences in the quality of the products, and inadequate records, particularly of the weight of loaves. The complexity due to the great variety of kinds and brands of bread makes it difficult to compute general averages. Differences in quality of the products sold make the statistics of prices of doubtful comparability. Inadequate records naturally limit the field from which satisfactory statistics may be obtained.

It is necessary to discuss each of these points in order to understand the nature of the figures presented in this chapter.

Multiplicity of kinds and brands of bread.—One of the leading baking companies of the country, with bakeries in a large number of cities, until rather recently, at least, has confined its attention mainly to the production and sale of a single brand of bread and to one size of loaf. This, however, is uncommon. Most large companies make several kinds of bread, and some have very numerous brands, while a full list of all the kinds and brands of bread and rolls sold by a company catering to all branches of the trade—family, restaurant, hotel, etc.—in a large city is remarkably long.

The complexity of such a list may not be quite as great as appears at first, so far as the matter of prices is concerned, for several brands of bread may be sold at the same price per pound.[1] This would naturally be the case if, as seems probable, different brand names are frequently given to loaves made from substantially the same ingredients and according to practically the same formulas, the chief differences being found in shape or size of loaf or in the manner of baking.[2] Nevertheless, from the data generally available, it is often very difficult, and sometimes impossible, to compute satisfactory averages representing the total bread sales of a large company in any city. If the statistics of quantities sold at different prices are lacking, there is no basis for weighting these prices in a general average which can be used with confidence.[3] If statistics of quantities are available, the work of making the very numerous computations necessary, especially when a long period is covered, may be prohibitive.

Naturally, if it is difficult to compute average prices for the entire bread sales of a single company, it is practically out of the question to secure averages for the combined sales of several companies in a particular city.[4] The absence of such averages is, of course, to be regretted, particularly when one wishes to compare the level of prices in different cities. On the other hand, the possession of such figures is not so vital in the study of trends in prices, for each of the leading companies in any city ordinarily has one brand, or at most a very few brands, the sales of which constitute a very large part of its total sales. For any company the figures for one or two such brands over a considerable period are probably fairly representative of the movement of its prices generally.

Comparability.—The statistics of bread prices which it was practicable to secure are subject to some limitations in the matter of comparability, because bread is not a fully standardized commodity which can be sold by grade. Each baking concern has its own formulas, which may or may not be quite similar to those of other bakers. Moreover, any baking company may change its formulas more or less frequently. Accordingly, bread that has been known by the same brand name over a period of years may have been made according to the same formula during all that time, or the formula may have been changed frequently. Probably even more important than the formula is the quality of the ingredients used. It is well known that flour, the principal ingredient, varies widely in quality and in cost, and this is true in greater or less measure of the other ingredients. Under the spur of competition a baker may use ingredients of lower quality than those formerly used and still sell his bread under the old brand names. So, too, there may be considerable differences in quality and cost of production between the loaves offered for sale by two or more competing bakers. Obviously, for a commodity having such characteristics as these, fully comparable price statistics are

[1] The price per pound, rather than the price per loaf, is of chief significance in the study of prices. See p. 195.

[2] Representatives of the commission were informed by managers of an important baking company that there was practically no difference in the ingredients used in making their leading brands of white bread, although there might be differences in baking, as, for example, in the time the bread was in the oven. Of course, such a company ordinarily bakes special kinds of bread, containing other ingredients than those used in the regular lines of white breads.

[3] Obviously a simple average is unsatisfactory where the quantities sold at different prices vary widely.

[4] It has been possible to remedy in part this defect in the price statistics presented in this chapter by supplementing them by average net-sales figures, either for a single company or for the combined business of two or more companies in the same city. Unfortunately, however, these figures are for annual periods only. See sec. 4, p. 210.

hardly to be found. Full comparability may be lacking not only as between the brands of competing concerns in the same city but even as between the figures for a given brand made by one concern when different periods are considered. Of course similar difficulties are encountered in making comparisons between the figures for different cities or sections.

As contrasted with these facts, which are unfavorable to comparability, it may be pointed out that in most large cities the great bulk of the bread sales are made by a few companies and that several of the large companies have branches in a number of cities. Conditions of competition within individual cities probably tend to force the different large companies to sell similar products at about the same prices, while the desire for uniformity within individual organizations might naturally be expected to result in products of substantially the same quality being sold in different cities. Yet in comparing the figures for different cities and even to some extent in comparing prices of different companies in the same city, one must bear in mind the fact that differences in prices may possibly reflect not only differences in cost of production or in profits, or in both, but also in part differences in the quality of the products compared. This, of course, is a very common defect in statistical material, but one which can hardly be removed with any reasonable expenditure of time and care.

Inadequate records.—It was found that most baking companies could furnish a record of actual changes in the prices per loaf of important brands of bread for a considerable period, though even this information could not be secured in some cases. On the other hand, some companies could not furnish records of all their changes in the weights of loaves, or at best could give the dates of the changes only approximately. This lack of statistics of changes of weights made it impracticable to use the price data furnished by some companies, there being no means of converting the price per loaf to the price per pound.[5] It is important to explain at this point that it is the latter rather than the former which is of most interest in a study of prices of bread.

Significance of weight of loaves in connection with prices.—Loaves of varying sizes and weights are made to meet the tastes or requirements of special lines of trade or particular elements of the population. Loaves weighing as much as 3 or 4 pounds are sometimes sold. Bread of these exceptional weights is made chiefly for the foreign elements of our city population or for the hotel and restaurant trade. The great bulk of bread sold to the family trade is baked in loaves supposed to weigh substantially 1 pound or 1½ pounds when baked, and such loaves are often referred to as a pound loaf and a pound-and-a-half loaf, respectively, even when the actual weight is considerably different.

Some States fix by law standard weights and require all loaves sold to conform to these standards, certain slight tolerance in the weight of individual loaves being permitted.[6] A baker who sells in such a State, if the law is adequately enforced, must be sure to use enough dough to make his baked loaves meet these legal requirements. For sales in States which have no standard-weight laws the actual weights

[5] Satisfactory statistics of costs were furnished by some companies whose price figures could not be used on account of this lack of information on changes in weights.

[6] Other States establish standard weights but permit sales of loaves of other weights if these are plainly marked on the loaf or on the wrapper.

of the baked loaves often differ widely from the theoretical 16 ounces or 24 ounces.[7]

It is difficult and sometimes impossible for bakers to make changes in the prices of their bread, in order to meet changing costs of production, by direct increase or decrease in the price per loaf. Increases in prices are naturally unpopular, and, furthermore, the retail price of a single loaf of bread can not be changed by less than a full cent.[8] Changes in costs may not warrant so great a change in price. Hence, it has become a very common practice among bakers to accomplish a virtual change in prices by variations in the weights of loaves. This, of course, can not be done legally if the bread is sold in States forbidding the sale of any but standard-weight loaves.

The average purchaser of bread probably notices only the difference between small and large loaves and seldom detects any change in the weight of the loaf he is accustomed to buy, unless it be a very considerable one. But the weight of the loaf is of great importance to the baker, and since loaves of nominally the same weight do differ so much in actual weight, prices per loaf have comparatively little significance. A satisfactory basis for comparing bread price statistics is found, therefore, only by reducing the figures to a common basis of the price for a given number of ounces either of dough before baking or of bread after baking. The price of 1 pound of baked bread seems to be the best unit for use in this connection and is the one employed in the tables presented in this chapter.

Records of weights of loaves are likely to be kept in terms of "dough weights" or "scaling weights"; i. e., the weight of the loaf before baking, because the machinery of the bakery must be set to cut the dough into loaves of a particular weight. But such dough weights are naturally definitely related to the baked weights, and bakers know the approximate baked weights corresponding to their scaling weights. The price statistics secured by the commission were in part in terms of scaling or dough weights and in part in terms of baked weights.[9]

Some of the companies from which statistics of wholesale prices were secured stated that their reported weights were only approximate, and it is entirely probable that they were so in other cases, where not so reported. Moreover, it is likely that the full record of changes in weights was not furnished in all cases in which the complete list of changes in price per loaf was given. Naturally, computations of prices per pound made on the basis of incomplete records of weights or from figures only approximately correct can not give strictly accurate results.

It will be obvious from all that has been said about weights that the price tables presented in this report are probably not without some errors, though these were guarded against so far as practicable.

Sources of the statistics.—The statistics of wholesale prices presented in this chapter were secured in the main through schedules which were made a part of the schedule on costs and profits of wholesale bakers. In some cases these wholesale price schedules were

[7] One company selling bread in two States, one of which has a standard-weight law, while the other does not, reported sales of a certain brand at the same price per loaf in the two States, but the weight of the bread sold in the standard-weight State was 1½ ounces greater than that sold in the other at the same time.

[8] For the wholesale trade, of course, it is not necessary to make the price per loaf in even cents, but in making wholesale prices retail prices must naturally be taken into consideration. Moreover, changes of a fraction of a cent, except one-half cent, are probably seldom, if ever, made in wholesale prices.

[9] The price schedules sent out to bakers asked for weight per loaf after baking. (See p. 197.) See p. 198 with reference to the ratio of baked weight to dough weight.

filled out by the commission's accountants from the records furnished by the companies, while in other cases the companies made direct returns of the schedules. Some of the large baking companies with bakeries in a number of cities furnished from headquarters schedules of wholesale prices for each of their branches.[10]

The price records furnished directly by the companies were accepted without verification.

The schedules on costs and profits of wholesale bakers also furnished net sales realization figures which are presented in section 4 of this chapter.[11]

Scope of the schedule on wholesale prices.—The period covered by the schedule on wholesale prices embraces the three years 1923, 1924, and 1925. It was not practicable to extend the statistical record beyond the end of the calendar year 1925, although more or less information about price changes in 1926 was obtained; and conditions prior to 1923 seemed of less interest. Naturally, also, the difficulty of securing price records was likely to be increased the farther back the inquiry was extended. However, records of changes in wholesale prices going back as far as 1920 were obtained by the accountants in a few cases.

In getting the returns called for in the schedule on costs and profits from wholesale bakers an effort was made to cover as much of the total volume of business of the country as possible, time and expense considered. This resulted in concentrating to a considerable extent on certain sections, while less attention was given to others. Since the price schedule was made a part of the schedule on costs and profits, the statistics of prices secured represent some sections of the country much more adequately than others. It will be noted in connection with the tables of wholesale prices in the next section that figures are given for very few of the cities of the South and West, but that they are mainly for cities in the New England, Middle Atlantic, and East North Central States.

The price schedule called for records of changes in price and weight per loaf for only the two leading brands sold by each company. This simplification of the schedule seemed desirable, for practical reasons, such as the greater difficulty in securing answers to more complicated inquiries. Moreover, it was thought that the prices of two leading brands could be taken as fairly representative of the entire business of a company in any city.[12]

Methods of compiling the tables of wholesale prices.—The figures given in the tables of wholesale prices in the following section are in terms of cents per pound of baked bread.[13] In those cases in which dough weights or scaling weights were reported conversions were

[10] In some cases the figures were not furnished in schedule form, and from a very few companies somewhat more complete data were secured than those called for in the schedule. In addition to the schedule inquiry, agents of the commission visited numerous cities in the early part of the year 1925, and from retailers dealing in bread secured information on wholesale and retail prices and competitive conditions. The statistics secured through this inquiry were chiefly prices at the end of 1924 and beginning of 1925, but some information on earlier prices was also secured.

[11] See appendix Tables 6 to 20 for statistics on costs and profits in detail. The discussion of this subject is found in Chap. VIII.

[12] In some cases the replies received covered more than two brands, and the accountants sometimes reported several brands and in a few cases all the leading brands sold. One important baking company with bakeries in several cities furnished a very complete record of weights and prices of all kinds and brands of bread sold from each of its bakeries for the years 1920 to 1923, inclusive, giving scaling weights, number of loaves sold, and price per loaf. Unfortunately, no such complete record was secured from any other company with bakeries in several cities.

For the later years the commission's accountants supplemented the statistics mentioned above by ascertaining the changes in weight and price for two or more leading brands.

[13] In nearly all cases the figures used were known to be for wrapped loaves, which often sell for a somewhat higher price than unwrapped loaves.

made by the use of the ratio of 9 to 8. The ratio of dough weight to baked weight varies somewhat according to the formula employed in making the dough, including the character of the ingredients, to the baking process, and possibly to other factors. Roughly, however, the loss of weight in baking may be taken as one-ninth. In other words, it may be considered that it requires 18 ounces of dough to produce a pound of baked bread. Since it was not possible to know the exact ratios in individual cases, it was necessary to use a certain ratio to apply in all cases, and the one mentioned above seemed most satisfactory.[14]

The monthly figures for many of the individual cities presented in the price tables were compiled from the records for a single company and a single brand of bread. It was necessary in such cases to use the figures for a single company to represent the price movement for a given city, because data were lacking for other companies operating in the same city. However, where satisfactory records were available for two or more companies for any city, the figures were combined in averages.[15] Simple averages were employed, because generally figures for weighting were not available. The method of computing the averages was in most cases not of much importance. Frequently the prices of two or more companies were identical or differed so little that the result could not have been essentially different if the averages had been weighted.

It has been noted that the price records secured from most of the companies were limited to the figures for two brands, and it may be added that generally one was a large loaf and the other a small loaf. Since generally no figures were available for weighting the prices of the large and small loaf in an average price, it was decided to use the figures for the large loaf wherever such were available, supplementing them with prices for the small loaf in other cases, but the latter were very few.[16]

In the comparatively few cases in which the price records afforded figures for several brands an effort was made to present the price for the leading brand or best seller, so far as practicable. It is a peculiarity of the baking business that a brand of bread which has been by far the best seller for a long time may be supplanted in favor by another brand, and the sales of the first brand may at a later period drop to an insignificant figure, or at least be far surpassed by those of

[14] A strict adherence to the use of a single ratio probably leads in some cases to very slight errors in the prices per pound computed from scaling weights. To illustrate, in some cases 27 ounces of dough may produce 24 ounces of baked bread, while in others it may possibly require 27½ ounces to produce a pound-and-a-half baked loaf. By the use of the 9 to 8 ratio, however, 27½ ounces of dough is shown as producing nearly 24½ ounces of baked bread. Nevertheless, it seemed necessary to adopt a uniform method of making conversions where records were given in terms of dough weights, but any inaccuracies which result can not be important.

This method was used in computing prices even for cities in States which forbid the sale of any but standard-weight loaves (see pp. 195 and 207), if the records were given in terms of dough weights, although, theoretically at least, in those States loaves of the standard baked weights are produced in all cases, even though there may be slight differences in dough weights from one brand to another.

[15] It was not possible in some cases to combine the figures for two or more companies for the entire period covered by the table, because figures for one or more of the companies were lacking for part of the period; e. g., figures were secured for some companies for 1923 and 1924, but not for 1925. Also, as already stated (p. 197), figures for years prior to 1923 were obtained for only a few companies. Therefore, the series of prices presented for a particular city may represent the figures for a single company for part of the time covered and averages for two or more companies for the other parts, according to the data available for compilation.

[16] Since there is ordinarily some difference in the per pound price of large and small loaves of the same or similar brands sold by a given company, it was in the interest of comparability to use exclusively, as far as practicable, the figures either for the large loaf or the small loaf. The former was selected chiefly because there were more cases in which there were available satisfactory prices for the large loaf.

It may be noted that when the per pound prices of similar large and small loaves sold by the same company differ the price of the large loaf is generally lower, though occasionally the contrary is true. The difference between the prices of the loaves of the two weights is sometimes negligible, but may run as high as a substantial fraction of a cent.

the new brand.[17] In order to present the prices of the best selling brands, it was sometimes necessary on account of this change in popularity of brands to shift from one brand to another in making up a price series for a period of years.[18]

In compiling the figures shown in the price tables which are given in this chapter, where changes in price per pound.[19] took place on other dates than the first of the month, averages were computed by weighting [20] the different prices by the number of days they were in force, respectively. In many cases this was the only available method in the absence of figures showing production or quantity of sales.[21]

It must be admitted that the data available for the compilation of wholesale prices of bread, as described above, are not entirely satisfactory. Objections may be raised to the use of figures for a single brand to represent the business of a company, as well as to the use of the figures for one company to represent the prices of an entire city. It must be borne in mind, however, that the figures for representative companies and leading brands have been employed; and it is believed that, even with the admitted defects, the figures have considerable value in throwing light on price movements. Probably they can be used with greater confidence in showing the trend of prices than in making comparisons of price levels in different cities, particularly since, as pointed out above (p. 195), some allowance must be made for possible differences in the quality of the commodities compared.

Section 3. Statistics of wholesale prices.

Introduction.—In this section wholesale prices of bread, in cents per pound, are presented for those cities for which adequate data were secured. This part of the inquiry, as has already been mentioned (p. 197), was aimed to cover particularly the three-year period, 1923–1925, although some price records were obtained for earlier years. For this period usuable records were secured for 54 cities. The average monthly prices for these are shown in detail in Appendix Table 3. Simple monthly averages of these prices by geographic groups are shown in Table 35 (p. 203), and yearly averages for each city in Table 36 (p. 204). Monthly average prices for the six-year period, 1920–1925, were compiled from the records going back prior to 1923. Adequate data for this purpose, however, were secured for only nine cities, as follows: Boston, Providence, New York, Newark, Philadelphia, Baltimore, Pittsburgh, Cleveland, and Chicago.[22] The monthly figures in detail for these cities will be found in Appendix

[17] Such changes are probably usually due to the policy of the company in advertising and pushing the sales of the new brand at the expense of the old. It is also likely that the new brand often is new chiefly in name, there being comparatively little difference in formulas or ingredients used in the two loaves.

[18] Some changes (generally slight) shown in the tables from one month to the next are due to this substitution of the price of another brand; i. e., the price and weight of the first brand may have continued unchanged, but the table may show a change in price due to the fact that the figures for another brand with different price per pound were substituted. This method of substitution of new brands seemed warranted in order to present the figures for the most representative brands.

[19] Changes in price per pound, it must be remembered, are effected not only by increase or decrease in the amount charged per loaf but by alterations in the weight of the loaf, which produce changes in the price per pound. (See p. 196.)

[20] Each was multiplied by the number of days in force and the total of these products was divided by the total number of days used in weighting.

[21] Reference has already been made (p. 197, note 12) to an especially complete record of prices for the years 1920 to 1923 furnished by one company. This record showed quantities sold at different prices by periods of 5 weeks, but did not show the dates on which price changes occurred. In order to use these figures to show the prices by months, it was necessary to determine the approximate dates of the price changes. This was done on the assumption that the number of days the respective prices were in force corresponded to the quantity of sales at those prices, respectively.

[22] The figures for these cities are also included in the table for 54 cities, covering the years 1923–1925. (See Appendix Table 3.)

Table 1, while simple annual averages are given in the following table.

While these nine cities are by no means fully representative of the country as a whole, their importance is such as to give special interest to price statistics covering as long a period as six years.

Prices, 1920–1925, for nine cities.—Table 34, which follows, gives yearly average wholesale prices for the nine cities listed above, with simple averages of the prices of all the cities combined. It also shows the per cent of decrease in the annual average price for each city from 1920 to 1921 and from 1920 to the year of lowest average price. These annual prices are simple averages computed from the monthly average prices shown in Appendix Table 1.[23]

TABLE 34.—*Annual average wholesale prices of bread for nine specified cities, 1920–1925*

[In cents per pound after baking]

City	1920	1921	1922	1923	1924	1925	Per cent decrease	
							1920 to 1921	Maximum
Boston	10.2	9.1	7.3	7.2	7.2	7.9	10.8	29.4
Providence	10.2	9.1	7.3	7.2	7.2	7.9	10.8	29.4
New York	10.1	8.6	7.5	7.5	7.6	7.9	14.9	25.7
Newark	10.1	8.6	7.4	7.3	7.4	7.9	14.9	27.7
Philadelphia	9.2	8.1	7.8	7.5	7.5	8.3	12.0	18.5
Baltimore	10.2	8.3	7.9	7.7	7.5	7.8	18.6	26.5
Pittsburgh	9.9	8.3	7.2	7.2	7.2	7.9	16.2	27.3
Cleveland	9.8	7.6	6.5	6.5	6.7	6.6	22.4	33.7
Chicago	9.9	8.7	8.2	8.4	8.4	8.3	12.1	17.2
Nine cities	10.0	8.5	7.5	7.4	7.4	7.8	15.0	26.0

Changes in the level of prices from year to year.—The table shows that bread prices were very high in 1920, as compared with the following years, in all the cities represented; but this, of course, was in line with the movement of commodity prices generally. Marked declines in the last month of 1920 and in 1921 reduced the averages for the later year by percentages ranging from about 11 to 22½ below those of 1920, the decrease in the average for the nine cities being 15 per cent. A still further decline in 1922, and for some of the cities in 1923,[24] reduced the yearly averages so that they were from about 17 per cent (for Chicago) to nearly 34 per cent (for Cleveland) below the figures for 1920.[25] The period 1922 to 1924, inclusive, was one of nearly stationary prices, while in 1925 there was a slight upward trend in the figures for all the cities, except Cleveland and Chicago.

Comparison of prices of bread and flour.—These decreases in the prices of bread between 1920 and the year of lowest prices (1922 or 1923) were much less marked than those in the price of flour. The latter decreased one-third or more from 1920 to 1921, as measured by the annual averages, while from 1920 to 1923 the decrease was

[23] The Bureau of Labor Statistics of the United States Department of Labor publishes average wholesale prices of bread, by months, for 5 cities—Chicago, Cincinnati, New Orleans, New York, and San Francisco. These figures for a period of years are printed in the annual bulletins on Wholesale Prices, and are supplemented quarterly by publication of the monthly figures in the Monthly Labor Review (in the numbers for February, May, August, and November). The figures as published are average prices per pound of dough before baking.

These figures of the Bureau of Labor Statistics for the 5 cities named above were converted to show the price per pound of baked bread and are shown in Appendix Table 2. The conversions from prices per pound of dough before baking to price per pound of baked bread were made on the basis of the ratio of 9 to 8, which was used in making similar conversions for other tables in this report, as is explained on p. 198.

[24] The figures for Baltimore alone show the lowest yearly average in 1924.

[25] For further discussion of the decrease in annual average prices see p. 202.

about 50 per cent.[26] On the other hand, the price of flour, measured again in annual averages, increased 38 per cent from 1923 to 1925, while the greatest increase in the price of bread for any of the cities included in the above table was only about 10 per cent. While, naturally, a general correspondence is to be expected between the price of bread and that of flour, any very close correspondence is hardly to be anticipated even over fairly long periods. While the cost of flour is, of course, a very important element in the total cost of bread labor costs are also important, and the prices of other ingredients than flour have some weight, though slight in comparison with that of the chief ingredient or with the labor cost. Over short periods, at any rate, it is not to be expected that the price of bread will very closely follow changes in the price of flour, even though changes in the per pound price of bread may be, and frequently are, effected through variations in the weights of loaves. (See p. 196 above.) It should be noted, however, that these yearly changes in the prices of bread for all the cities combined correspond in a general way with the yearly changes in the total costs of producing and selling bread. (Cf. Table 56.)

Monthly movement of average prices for the nine cities combined.—While the composite figures obtained by computing a simple average of the monthly prices of the nine cities can hardly be taken as an average price for the country as a whole,[27] still it is of some value as showing the trend in wholesale prices of bread during the period 1920–1925. This price series is represented graphically in the diagram on page 224, in which the curve of wholesale prices is based on the average monthly wholesale prices for the nine cities combined as shown in Appendix Table 1 (p. 472).

Taking the average for the nine cities together, it will be noted that wholesale prices increased about 1 cent in the first half of 1920, but fell sharply in December. By February, 1921, the price had reached the point from which the curve starts in January, 1920. The decline continued sharply until May, 1921, when the price was more than a cent below that of the beginning of the year. Then after a half year of stationary prices, there was another decline in the last quarter of 1921 and the early months of 1922 to the low point of the series. This was about 28 per cent below the high point of 1920 and about 20 per cent below the opening price of that year.

The diagram shows a period of two and a half years of stationary prices, from May, 1922, to October, 1924, followed by a slight upward movement at the end of 1924 and in 1925.

[26] The following statement shows the annual average prices of flour, as reported by the Bureau of Labor Statistics of the United States Bureau of Labor in Bulletin No. 415 on Wholesale Prices, 1890 to 1925, pp. 87–88. The figures, in dollars per barrel, are given for "Standard patents" at Minneapolis and "Winter patents" at Kansas City.

Year	Standard patents, Minneapolis	Winter patents, Kansas City	Year	Standard patents, Minneapolis	Winter patents, Kansas City
1920	$12.68	$12.52	1923	$6.39	$6.16
1921	8.33	7.74	1924	7.19	6.80
1922	7.28	6.85	1925	8.83	8.53

[27] The number of cities is so small, and only part of the country represented, and the average is not weighted.

Comparison of prices for different cities.—It is of interest next to compare the prices of the nine cities with one another, although one must be cautious in drawing conclusions on account of the doubt about strict comparability of the figures which has already been pointed out (pp. 194 and 199). It is believed, however, that while there may be some differences in the quality of the bread for the different cities, there is sufficient similarity to make broad general comparisons trustworthy. Such comparisons may be made conveniently by using the annual averages in Table 34 (p. 200). This table shows that the difference between the lowest and highest annual average prices for the several cities ranged from 1 cent for 1920 to 1.9 cents for 1923, and that for each of the years 1922, 1924, and 1925 it was 1.7 cents.[28] These ranges, however, except that for 1920, are reduced greatly, if the prices for Cleveland and Chicago are left out of account. For the other seven cities, after the year 1921,[29] there are no very marked differences between the lowest and highest annual averages, the greatest range in any year being 0.7 cent.

Probably the most striking feature of the table is the relatively low price for Cleveland for all years except 1920. For all the other years its price was at least one-half cent lower than that of any of the eight other cities, while for 1925 it was 1.2 cents below the next higher figure. Next in interest, perhaps, is the relatively high price for Chicago for the years 1922 to 1925, inclusive, for each of which it shows the highest price in the table. (For competitive conditions in Chicago, see Chap. V, sec. 4.)

For most of the years there is very little variation from the simple average price for the nine cities combined in the figures for any of the cities except Cleveland, Chicago, and Philadelphia.[30]

Further reference to Table 34 shows that while the Cleveland price was exceptionally low after 1920, it was only slightly below the average for the nine cities combined for that year. Hence, the per cent of decline in the annual average price from 1920 to 1921 was particularly heavy for that city (22.4 per cent), as it was also from 1920 to the year of lowest prices (33.7 per cent). On the other hand, the figures for Chicago, which were relatively high for all years except 1920, show a comparatively low per cent of decrease (12.1 per cent) from 1920 to 1921, and the lowest per cent of decrease (17.2 per cent) for any city from 1920 to the year of lowest prices. For the other cities the decreases from 1920 to 1921 ranged from slightly less than 11 per cent to about 18½ per cent, and from 1920 to the year of lowest prices, from 18½ per cent to about 29½ per cent.

Prices 1923–1925 for 54 cities.—Monthly average prices for 54 cities for the three-year period 1923–1925 are given in Appendix Table 3 (p. 476), two summaries of which appear in the following tables. The first shows by months the averages by geographic divisions and for the 54 cities combined, while the second gives for each city the annual average price, the range in monthly prices, and the maximum change in prices from one month to the next.

The geographic distribution of the 54 cities is as follows: New England, 7; Middle Atlantic division, 12; East North Central division, 18; West North Central division, 6; South Atlantic division, 5; and 6 cities in other States.[31] The representation, it will be noted, is fairly satisfactory for the New England, Middle Atlantic, and East North Central divisions, less so for the West North Central and South Atlantic divisions, while much of the South and West is hardly represented. Although certain sections are not adequately covered, those for which the table shows the largest numbers of cities are regions of relatively dense population and numerous cities.

Average monthly prices by geographic divisions.—Table 35, which follows, gives monthly average prices by geographic divisions, the figures being simple averages of the prices for the several cities representing the respective divisions:

TABLE 35.—*Monthly average wholesale prices of bread by geographic divisions, 1923–1925* [a]

[In cents per pound after baking]

Month	New England	Middle Atlantic	East North Central	West North Central	South Atlantic	Other cities	54 cities [b]
1923							
January	7.4	7.2	7.0	7.0	6.9	7.0	7.1
February	7.4	7.2	7.0	6.9	6.9	7.0	7.1
March	7.4	7.2	6.9	6.9	6.9	7.0	7.0
April	7.4	7.2	6.9	6.9	6.9	7.0	7.0
May	7.4	7.2	7.1	6.9	6.9	7.0	7.1
June	7.4	7.2	7.1	7.0	7.0	7.0	7.1
July	7.4	7.2	7.1	7.0	7.0	7.0	7.1
August	7.4	7.2	7.1	7.0	6.9	7.0	7.1
September	7.4	7.2	7.1	7.0	6.9	7.0	7.1
October	7.4	7.2	7.1	7.0	6.9	7.0	7.1
November	7.3	7.2	7.1	7.1	6.9	7.0	7.1
December	7.3	7.3	7.1	7.1	6.9	7.0	7.1
Year	7.4	7.2	7.1	7.0	6.9	7.0	7.1
1924							
January	7.3	7.3	7.1	7.1	6.9	7.0	7.1
February	7.3	7.2	7.1	7.1	6.9	7.1	7.1
March	7.3	7.2	7.1	7.2	6.9	7.1	7.1
April	7.2	7.3	7.1	7.2	7.2	7.1	7.2
May	7.2	7.3	7.1	7.2	7.2	7.1	7.2
June	7.2	7.3	7.1	7.2	7.2	7.1	7.2
July	7.3	7.4	7.1	7.2	7.2	7.1	7.2
August	7.3	7.4	7.1	7.2	7.2	7.1	7.2
September	7.3	7.4	7.1	7.2	7.3	7.1	7.2
October	7.3	7.4	7.1	7.3	7.4	7.2	7.3
November	7.3	7.4	7.2	7.4	7.4	7.3	7.3
December	7.4	7.5	7.3	7.4	7.4	7.3	7.4
Year	7.3	7.3	7.1	7.2	7.2	7.1	7.2
1925							
January	7.6	7.6	7.4	7.6	7.5	7.7	7.5
February	7.6	7.7	7.4	7.7	7.5	7.8	7.6
March	7.6	7.8	7.4	7.7	7.5	8.0	7.6
April	7.6	7.8	7.4	7.8	7.4	7.7	7.6
May	7.6	7.8	7.4	7.8	7.3	7.7	7.6
June	7.6	7.8	7.4	7.8	7.3	7.7	7.6
July	7.6	7.8	7.4	7.8	7.3	7.7	7.6
August	7.7	7.8	7.4	7.8	7.3	7.7	7.6
September	7.7	7.8	7.4	7.9	7.3	7.7	7.6
October	7.7	7.8	7.4	7.9	7.3	7.6	7.6
November	7.7	7.8	7.4	8.0	7.4	7.5	7.6
December	7.7	7.8	7.4	8.0	7.4	7.5	7.6
Year	7.6	7.8	7.4	7.8	7.4	7.7	7.6

[a] Compiled from Appendix Table 3. The numbers of cities represented by divisions are as follows: New England, 7; Middle Atlantic division, 12; East North Central division, 18; West North Central division, 6; South Atlantic division, 5; remainder of the country, 6; total, 54.

[b] Simple averages computed from the prices for the 54 cities, and not from group averages.

[28] The greatest range in the monthly figures, as shown in Appendix Table 1, is 2.1 cents, the difference shown between the prices for Cleveland and Chicago for April, 1921.

[29] Even for that year the range is reduced from 1.5 cents, if Cleveland and Chicago figures are included, to 1 cent without the figures for these two cities.

[30] For the other cities the only differences in excess of 0.3 cent are in the figures for Boston, Providence, and Baltimore in one year for each city. For Philadelphia the differences are in excess of 0.3 cent for three of the six years.

[31] This group consists of three California cities and one each in Oklahoma, Texas, and Montana. The average for these six cities is given in Table 35 in order to make that table complete, but obviously it does not represent a single geographic division as the other figures do.

The table shows no abrupt changes in the monthly average prices for the main geographic divisions. Moreover, the range between the lowest and highest monthly averages was not in excess of three-fifths of one cent for four of the five groups, although for the fifth it was 1.1 cent.[32]

For all the groups the prices were practically stationary through the year 1923. There was a little more change in 1924, with the trend generally slightly upward, particularly at the end of the year. For 1925 the general level of prices was somewhat higher for all the groups, with the trend slightly upward for the New England, Middle Atlantic, and West North Central groups. Taking the figures for the 54 cities combined, it may be said that 1923 was a year of stationary prices, that 1924 showed a slight upward trend, and that on account of this and a further increase at the beginning of 1925, the level for the later year was nearly one-half cent above that of 1924, although the price was practically stationary through 1925.

The maximum difference between the monthly prices of the different geographic divisions represented was three-fifths of one cent; in many of the months the range did not exceed two-fifths cent, while in some it was only one-fifth cent per pound.

Yearly level of prices for individual cities.—Since it is possible that important facts regarding the figures for individual cities may be concealed in the averages for groups, it is desirable to make a somewhat more detailed study of the prices. This may be done by consulting the following table with occasional reference to the figures in Appendix Table 3 on which it is based:

TABLE 36.—*Annual average wholesale prices of bread and range in monthly averages for 54 specified cities, 1923–1925*

[In cents per pound after baking]

City and division	Annual average price			Three-year range in monthly average prices			Maximum change, one month to next
	1923	1924	1925	Lowest	Highest	Range	
Boston, Mass.	7.2	7.2	7.9	7.2	8.0	0.8	0.5
Fitchburg, Mass.	7.3	7.5	7.6	7.3	7.6	.3	.3
Holyoke, Mass.	8.0	7.6	7.5	7.5	8.0	.5	.2
Providence, R. I.	7.2	7.2	7.9	7.2	8.0	.8	.5
Hartford, Conn.	7.8	7.5	7.6	7.3	8.0	.7	.7
Waterbury, Conn.	6.7	6.9	7.6	6.7	7.6	.9	.6
Bridgeport, Conn.	7.3	7.3	7.5	7.3	7.6	.3	.2
New England division	7.4	7.3	7.6	7.2	7.7	.5	.2
New York, N. Y.	7.5	7.6	7.9	7.5	8.0	.5	.2
Mount Vernon, N. Y.	7.3	7.3	7.7	7.3	7.7	.4	.4
Syracuse, N. Y.	6.8	6.9	7.7	6.8	8.0	1.2	.6
Rochester, N. Y.	7.0	7.2	7.5	6.7	7.7	1.0	.3
Buffalo, N. Y.	7.0	7.3	7.6	6.8	7.6	.8	.5
Hoboken, N. J.	7.4	7.6	7.6	7.3	7.6	.3	.3
Paterson, N. J.	7.3	7.3	7.8	7.1	7.8	.7	.3
Garfield, N. J.	7.6	7.6	7.8	7.6	7.8	.2	.1
Newark, N. J.	7.3	7.4	7.9	7.3	8.0	.7	.2
Philadelphia, Pa.	7.5	7.5	8.3	7.5	8.4	.9	.4
Norristown, Pa.	6.7	7.2	7.6	6.7	7.6	.9	.3
Pittsburgh, Pa.	7.2	7.2	7.9	7.2	8.0	.8	.6
Middle Atlantic division	7.2	7.3	7.8	7.2	7.8	.6	.1

[32] It was 1 cent for the final group of the table, which does not represent a single geographic division.

TABLE 36.—*Annual average wholesale prices of bread and range in monthly averages for 54 specified cities, 1923–1925*—Continued

[In cents per pound after baking]

City and division	Annual average price			Three-year range in monthly average prices			Maximum change, one month to next
	1923	1924	1925	Lowest	Highest	Range	
Youngstown, Ohio	6.9	6.9	6.8	6.8	7.0	0.2	0.1
Cleveland, Ohio	6.5	6.7	6.6	6.5	6.8	.3	.2
Akron, Ohio	6.7	6.7	6.7	6.7	6.7		
Zanesville, Ohio	6.7	6.7	7.1	6.7	7.3	.6	.6
Toledo, Ohio	6.1	6.7	6.9	5.0	6.9	1.9	.9
Columbus, Ohio	6.8	6.8	6.7	6.7	6.8	.1	.1
Dayton, Ohio	6.7	6.7	6.7	6.7	6.7		
Cincinnati, Ohio	7.0	7.0	7.9	7.0	8.0	1.0	.8
Anderson, Ind.	6.3	6.4	7.0	6.3	7.0	.7	.7
Indianapolis, Ind.	7.0	7.0	7.0	7.0	7.0		
South Bend, Ind.	6.4	6.8	7.3	5.2	7.3	2.1	1.6
Hammond, Ind.	8.3	8.3	8.3	8.3	8.3		
Chicago, Ill.	8.4	8.4	8.3	7.9	8.5	.6	.3
Peoria, Ill.	6.9	6.9	8.3	6.9	8.3	1.4	1.0
Springfield, Ill.	8.3	8.3	8.3	8.3	8.3		
Detroit, Mich.	7.7	7.7	7.6	7.6	7.7	.1	.1
Grand Rapids, Mich.	6.9	7.1	8.2	6.9	8.3	1.4	1.1
Milwaukee, Wis.	7.5	7.5	7.5	7.5	7.5		
East North Central division	7.1	7.1	7.4	6.9	7.4	.5	.2
Minneapolis, Minn.	7.6	7.6	8.5	7.5	8.6	1.1	.7
Des Moines, Iowa	7.0	7.1	7.8	7.0	7.8	.8	.2
St. Joseph, Mo.	5.5	6.3	6.7	4.9	6.7	1.8	.6
Kansas City, Mo.	7.3	7.4	7.8	7.3	8.1	.8	.2
Omaha, Nebr.	8.1	8.2	8.6	8.1	8.6	.5	.3
Topeka, Kans.	6.4	6.7	7.6	6.4	8.0	1.6	.2
West North Central division	7.0	7.2	7.8	6.9	8.0	1.1	.2
Baltimore, Md.	7.7	7.5	7.8	7.4	7.9	.5	.4
Washington, D. C.	7.6	8.0	7.1	6.8	8.0	1.2	.6
Richmond, Va.	6.9	6.8	7.3	6.8	7.9	1.1	.5
Wheeling, W. Va.	6.7	6.9	7.3	6.7	7.3	.6	.4
Huntington, W. Va.	5.7	6.9	7.4	5.7	7.4	1.7	1.4
South Atlantic division	6.9	7.2	7.4	6.9	7.5	.6	.3
Oklahoma City, Okla.	5.9	6.4	7.1	5.8	7.2	1.4	.3
Dallas, Tex.	7.0	7.0	7.0	7.0	7.0		
Butte, Mont.	8.0	8.0	8.2	8.0	9.3	1.3	1.3
Fresno, Calif.	7.0	7.1	8.1	7.0	8.3	1.3	1.0
San Luis Obispo, Calif.	6.7	6.7	7.9	6.7	8.0	1.3	1.3
Los Angeles, Calif.	7.3	7.4	7.8	7.3	8.0	.7	.4
Other cities	7.0	7.1	7.7	7.0	8.0	1.0	.4
Average, 54 cities	7.1	7.2	7.6				

This table shows the general level of prices for each of the 54 cities in the years 1923, 1924, and 1925. It is evident that for most of the cities represented the general price level was practically the same in 1924 as in 1923. The difference between the averages for these two years exceeded one-fifth cent for only 11 cities and was as much as one-half cent for only five of them.[33]

Most of the cities had higher average prices in 1925 than in 1924, but in many cases the difference was so slight that the prices for the two years may be considered as almost stationary. There were, however, 21 cases in which the 1925 average was at least one-half cent higher than that for 1924, but only four in which it was at least 1 cent

[33] Norristown, Toledo, St. Joseph, Huntington, W. Va., and Oklahoma City. The difference was as much as 1 cent only for Huntington.

higher.[34] Only one city, Washington, D. C., had a price substantially lower in 1925 than in 1924. These annnal averages show little change during the three years for most of the 18 cities representing the East North Central Division, but there are a few exceptions, notably Peoria and Grand Rapids.[35]

Very few of the cities covered by the table show any sudden change in prices. The maximum change from one month to the next was one-half cent or less for 36 cities, or two-thirds of the entire number. Seven only show changes of 1 cent or more between consecutive months, viz, South Bend, Peoria, Grand Rapids, Huntington, W. Va., Butte, Mont., and Fresno and San Luis Obispo, Calif.[36] All these changes except in the case of South Bend and Butte were increases, and all but one of the increases occurred near the end of 1924 or in January, 1925. In fact, nearly half the cities covered by the table show an increase in this period, though only a slight one in some cases.

Considering the entire three-year period, only 2 of the 19 cities in the New England and Middle Atlantic groups (Syracuse and Rochester) showed a difference of as much as 1 cent between the lowest and highest monthly averages. However, 5 of the 18 cities of the East North Central division showed such increases. These are Toledo, Cincinnati, South Bend, Peoria, and Grand Rapids, the last three of which have already been mentioned as having had exceptional changes in prices within a month. Minneapolis, St. Joseph, and Topeka, among the six cities of the West North Central group, had changes of more than 1 cent between the lowest and highest monthly averages; also Washington, Richmond, and Huntington, among the five cities of the South Atlantic group, and Oklahoma City, Butte, Fresno, and San Luis Obispo among the six cities of the final group [37] in Table 36.

These figures indicate more marked changes in prices among the southern and western cities than among those of New England and the Middle Atlantic States, while for the East North Central States a few cities show marked changes but the great majority little or none.

Peculiar price movements in certain cities.—The movement of wholesale prices in certain cities, particularly as seen in the monthly figures given in Appendix Table 3, indicates that unusual competitive conditions prevailed in those cities during a part or all of 1923, and extending in one case into 1924. These cities are Toledo, Ohio, South Bend, Ind., St. Joseph, Mo., Washington, D. C., and Huntington, W. Va.

The figures for Toledo show a price very low, as compared with prices in neighboring cities, during the first four months of 1923, with an increase from 5 cents per pound in April to 6.7 cents in June, while during the remainder of the period covered, that is, to the end of 1925, the prices for that city were not very different from those of certain other Ohio cities.

The South Bend price shows an abrupt drop from 7.3 cents for January to 5.7 cents for February and 5.2 cents for March, 1923.

[34] Peoria, 1.4 cents; Grand Rapids, 1.1 cents; Fresno, 1 cent; and San Luis Obispo, 1.2 cents.

[35] For monthly figures see Appendix Table 3.

[36] These changes were as follows: For South Bend a decrease from 7.3 cents to 5.7 cents from January to February, 1923, followed by a further decrease of one-half of a cent in March, and then by an increase of 1.2 cents in May; for Peoria an increase from 7.3 cents for December, 1924, to 8.3 cents for January, 1925, following an increase from 6.9 cents in November, 1924; for Grand Rapids an increase from 6.9 cents for October, 1924, to 8 cents for November, followed by a further increase to 8.3 cents for December; for Huntington, W. Va., an increase from 5.7 cents to 7.1 cents from March to April, 1924; for Butte, Mont., a decrease from 9.3 cents to 8 cents from March to April, 1925; for Fresno and San Luis Obispo, respectively, increases from 7.3 to 8.3 cents and from 6.7 to 8 cents from December, 1924, to January, 1925. See Appendix Table 3.

[37] This gives the average for six scattered cities, but does not represent a single geographic division.

A partial recovery to 6.5 cents is shown in May, additional slight increases in September and October, with the price stationary at 6.7 cents until November, 1924.

The figures for St. Joseph, Mo., show a drop from an average of 5.6 cents for January to 4.9 cents for March, 1923, partial recovery in June, and increases in August and November, until an average price of 6 cents is reached. Further increases in the middle and at the end of 1924 bring the 1925 average up to 6.7 cents.

The prices for Washington, D. C., show an increase from 7 cents for May, 1923, to 8 cents for July, with the price stationary to the end of 1924.

Apparently exceptional conditions in Huntington, W. Va., kept the price in that city 1 cent below the price in the neighboring city of Wheeling through all of 1923 and the first three months of 1924. In April of the later year there was an increase of nearly a cent and a half in the price for Huntington, while at that time there was no change in the price for Wheeling. Later in the year the prices for both cities increased.

In addition to these exceptional price movements in 1923 and 1924, it will be noted that four cities show unusually large increases in prices at the beginning of 1925. These are Cincinnati, Peoria, Fresno, and San Luis Obispo.

The exceptionally low prices shown above for Toledo in the early months of 1923 are explained by information secured from retail dealers in that city to the effect that there was a price war there, which started in January, 1923, and lasted approximately four months. One baking company cut the wholesale price of the small loaf from 8 cents to 6 cents. Another immediately cut its price to 5 cents, and was followed by the first-mentioned company and by most of the local bakers. The price remained at 5 cents until the latter part of April, when there was apparently some agreement to increase prices, for the price of the two companies referred to above was advanced on the same day to 7 cents for the pound loaf and 10 cents for the pound and a half loaf.

The figures given above indicate the probability of similar price wars at the same time in South Bend, Ind., St. Joseph, Mo., and Huntington, W. Va. Apparently the period of acute competition lasted much longer in the last-named city than in the others.

Effect of standard weight laws on prices.—Reference was made in the second section of this chapter (p. 195) to the fact that some States have established by law standard weights for bread, and that certain of these States prohibit the sale of any but loaves of the standard weights. Where this prohibition exists,[38] bakers can lawfully make changes in the price of bread only by direct increases or decreases in the amount charged per loaf, whereas in other States changes in the price per pound, as has already been pointed out, may be accomplished by altering the quantity of dough used per loaf. Whether or not the baker frequently avails himself of this method of increasing or decreasing prices in those States in which the law does not prohibit it presumably depends largely upon the conditions of competition prevailing. An examination of the price records secured by the commission shows that in some cities in States where the law does not specify that only loaves of standard weight may be sold, the

[38] Assuming, of course, that the law is well enforced.

weight of loaves may for long periods remain nearly as constant [39] as in those States where changes in weights are prohibited by law. On the other hand, that the method of accomplishing price changes through alteration of the weights of loaves may be used effectively and very frequently where the law does not prohibit it, is shown by records for other places, some of which will be summarized by way of illustration.

The law of Missouri does not prohibit the sale of loaves of different weights. Records of a Kansas City baking company for the years 1923 and 1924 show no changes in the price per loaf of a popular small loaf and a corresponding large loaf reported; but during the year 1924 alone five changes were reported in the weight of the small loaf and four in that of the large loaf. These changes, which were all reductions, amounted to 2 ounces in the small loaf and 2¼ ounces in the large loaf and resulted in an increase of 1 cent in the price per pound of the former and seven-tenths cent in that of the latter. The only change in weights reported for the year 1923 was a reduction of one-half ounce in the small loaf, followed after nine days by a restoration of the old weight. This illustrates the ease with which experimental changes in price may be made by means of alterations in weight where this procedure is legal.

Similar records for a St. Joseph baking company showed no changes in the prices per loaf during 1923 and 1924, but during this period 11 changes were reported in the weight of a popular large loaf, all but three of which occurred in the first year. It may be of interest to show the dates and extent of these changes and the effect on the price per pound.

Changes in weights and corresponding changes in price per pound of a popular loaf of bread sold in St. Joseph, Mo., 1923–24

Date	Baked weight (ounces)	Price (cents per pound) [1]	Date	Baked weight (ounces)	Price (cents per pound) [1]
1923—Jan. 1	22½	5.7	1923—July 23	23½	5.5
Jan. 25	24	5.3	Aug. 4	22	5.8
Feb. 3	25	5.1	Oct. 29	21½	6.0
Feb. 13	26	4.9	1924—Jan. 1	21	6.1
May 29	24½	5.2	June 30	20	6.4
June 16	24	5.3	Dec. 10	19	6.7

[1] The price per loaf was 8 cents throughout this period of two years.

It will be observed that these changes were not all in the same direction, but that the weight was first increased 3½ ounces through three changes occurring in a month and a half, with a corresponding decrease of four-fifths (0.8) cent per pound in the price. A period of more than three months followed without change, when the weight of the loaf was reduced at one time by 1½ ounces. Then followed successive reductions in weight through the remaining seven months of 1923 and the year 1924. The result was a decrease of 7 ounces or more than one-quarter in the weight of the loaf between May 28, 1923, and December 10, 1924, and a corresponding increase in price of 1⅘ cents per pound.

[39] This statement assumes that the price and weight records received actually show all the changes of weights which were made during the period covered by the reporting company. In discussing the question of weights in the second section of this chapter doubt was expressed whether this was true in all cases. (See p. 196 above.)

It is of interest to note that the same company made no change during 1923 in the weight of a smaller loaf reported and only three changes in 1924, the price per loaf remaining constant during the two years. These changes, which were all in one direction, resulted in cutting the weight of this loaf from 21 ounces to 18½ ounces and increasing the price from 6.1 cents to 6.9 cents per pound.

Another illustration, taken from a city in another State which does not limit sales of bread to loaves of standard weights, may be presented from the record for two loaves of bread sold in Oklahoma City, Okla., during the same period (1923–24), which for convenience are designated as "loaf A" and "loaf B."

Changes in weights and corresponding changes in prices per pound of two popular loaves of bread sold in Oklahoma City, Okla., 1923–24

Date	Loaf A		Date	Loaf B	
	Baked weight (ounces)	Price (cents per pound) [1]		Baked weight (ounces)	Price (cents per pound) [1]
1923—			1923—		
Jan. 1	20	6.4	Jan. 1	22	5.8
Feb. 5	19½	6.6	Aug. 17	21	6.1
Mar. 19	19	6.7	Oct. 2	22	5.8
Oct. 2	20	6.4	Dec. 3	21½	6.0
Dec. 9	19½	6.6	Dec. 9	21	6.1
Dec. 15	19	6.7	1924—Jan. 15	20½	6.2
Dec. 21	18½	6.9	Feb. 2	20	6.4
1924—Feb. 2	19	6.7	Oct 9	19½	6.6
Mar. 8	18	7.1	Oct. 31	20	6.4
Dec. 30	17¾	7.2			

[1] The price per loaf in both cases was 8 cents throughout this period of two years.

Certain interesting features in the above figures may be pointed out. In the first place, it will be observed that the dates of change were generally different for the two loaves, and that in 1923 there were six changes in the weight of one loaf and only four in that of the other, while for the entire period of two years the weight of "loaf A" was changed nine times and that of "loaf B" eight times. In both cases there was first a decrease in weight, followed by a return to the original weight, and then a series of decreases.[40] For the first loaf the net decrease in weight was 2¼ ounces and the net increase in price 0.8 cent. For the second loaf the net changes between the beginning and end of the period were 2 ounces decrease and 0.6 cent per pound increase. The frequency of the changes in the four months from October 2, 1923, to February 2, 1924 will be noticed.

The illustrations which have been given suffice to show that in some places, where the law does not prohibit the practice, frequent and sometimes considerable changes in the price of bread per pound are made without any change in the price per loaf. It will be of interest to compare the experience in these cases with that in cities in which the State law prohibits changes in price through the medium of changes in weights.

An examination of price records for eight Ohio cities and four Indiana cities for which average monthly prices have already been

[40] For the second loaf there was a slight increase in weight late in the second year, whereas a very slight decrease was made at the end of the year in the weight of the first loaf.

given, shows that during 1923 and 1924 there were changes in the price per loaf in only three of these 12 cities [41]—Toledo, Ohio, and Anderson and South Bend, Ind. In Toledo there was an increase of 2 cents or 2½ cents in the price of large loaves at the end of April or in May, 1923, at the close of the price war mentioned above (p. 207). In Anderson, Ind., there was an increase of one-half cent December 1, 1924, in the price of the small loaf reported and of 1 cent in the large loaf. South Bend only among the 12 cities had more than one change in prices during these two years. One bakery decreased the price of small loaves 2 cents and large loaves 3 cents early in 1923 and later restored the price of the small loaf and increased the price of the large loaf 2 cents. In the fall of 1924 prices were again increased one cent per loaf.[42]

The law of the District of Columbia also prohibits the sale of any but standard-weight loaves. The price records obtained by the commission showed only one change in prices in the District during 1923 and 1924, an increase of 1 cent per loaf about the middle of 1923.[43]

Section 4. Statistics of net sales realization from the bread business of wholesale bakers.

Introduction.—Statistics of average net sales realization from the bread business of wholesale bakers are presented in this section. These statistics were derived from data secured in connection with the study of costs and profits of wholesale bakers, a subject which is discussed in Chapter VIII of this report.

The average net sales realization per pound for one of these companies or for a group of companies furnishes, so to speak, a composite figure representing the sales of all kinds and brands of bread and rolls,[44] each having its proper weight in the average. This figure, therefore, shows accurately the average returns from the entire bread business of a given company or group of companies.

Since every change in real [45] prices affects receipts and therefore is reflected in the average net sales figures, the latter are of interest in connection with the study of prices; but there are important differences between prices and average net sales, some of which will be pointed out later. The fact that there are such differences gives interest to a comparison of the two sets of figures. The study of net sales figures should throw considerable light upon the trend of real prices from year to year for given companies or cities, when the figures for the same company or companies are shown for every year; but for reasons which will appear later, caution must be exercised in drawing conclusions from the average net sales figures about comparative prices in different cities.

[41] These cities are Youngstown, Cleveland, Akron, Zanesville, Toledo, Columbus, Dayton, and Cincinnati, Ohio, and Anderson, Indianapolis, South Bend, and Hammond, Ind. See Appendix Table 3. This table also shows slight changes in the price per pound for Youngstown in July, 1924, and for Cleveland, in January, 1924. Since there were no changes in prices per loaf in these cities at the times specified, and since the State law forbade changes in baked weights, these price changes require explanation. The change shown in the figures for Youngstown is due to the fact that one company reported for that city the sale of a loaf weighing 22½ ounces (baked) during 1923 and the greater part of 1924, with a change to 24 ounces (baked) in November, 1924. The reason assigned for the change was the beginning of the enforcement of the State bread law. These figures were used as reported, although obviously a 22½ ounce loaf would not meet the requirements of the State law.

The record for Cleveland was given in terms of scaling weights, and the prices per pound were computed on the basis of these weights and assuming that the ratio of scaling weight to baked weight was as 9 to 8. (See p. 198.) The change shown in the price in January, 1924, was due to the substitution of one brand for another at this point, the scaling weight for the new brand being one-half ounce less than that of the old brand. (See p. 199.)

[42] See p. 169.

[43] The old price was restored in the spring of 1925. (See Chap. V, sec. 7.)

[44] The cake business, if any, is excluded.

[45] As distinguished from nominal prices.

In the present instance it is possible to present net sales figures for many more cities than were included in the price tables, because data on net sales were secured for many plants for which adequate price records were not obtained. A disadvantage of the average net sales figures as compared with the statistics of prices lies in the fact that the former can be shown only for annual periods instead of by months as was the case with prices.

Reference has been made to the fact that there are important differences between statistics of prices and average net sales. It is necessary to point out some of these differences, in order that incorrect interpretation of the figures and consequent misunderstanding may be avoided.

The price tables in the preceding section give for each city represented the figures for a particular brand of bread or for a few brands combined, while, as has been noted, the average net sales figures are based on the sales of all kinds and brands of bread handled by a particular company or group of companies. Moreover, price statistics are for the bulk of the sales of the brand or brands covered, while part of the product may be sold at a different price or at different prices—e. g., the so-called "stales" are often sold much below the regular price for fresh bread or may even be given away. This, of course, affects receipts and, consequently, if the quantities involved are sufficiently large the average net sales figures will naturally be appreciably lower than they would have been if all sales had been at the nominal prices.

When competition is acute, it sometimes happens that bread is given away or sold below the regular price, through the use of coupons or otherwise. If this practice is carried on over a long period, or on a large scale even for a short period, it may so reduce total receipts from sales that annual average net sales figures will be very appreciably affected. Under such circumstances prices are merely nominal, and hence do not reflect this competition.

Many baking companies serve not only the particular cities in which their plants are located but extensive surrounding territory and sometimes other cities many miles distant. When this happens the sales in outside territory may be at the same prices as those made in the city in which the bakery is located or they may be at higher or lower prices, according to conditions of competition in the various portions of the district served. Net sales figures in such cases may be considered as applying to a large district rather than to the city in which the plant is located. On the other hand, in compiling the tables of prices already given, an effort was made to show actual city prices rather than the average prices of the districts supplied from the city bakeries.

It is likely that some of the plants for which average net sales are presented in the tables which follow, sold part of their product in outside territory at prices differing from those in force in the cities in which these plants were located, respectively. So far as this practice existed during the period covered by the net sales figures the latter were obviously affected by it. This may account in part for differences between net sales and prices even where the figures for the same company are compared.

It is probable that the prices of bread which were presented in the preceding section are somewhat lower for many of the cities than they

would be if the prices of all the bread products of the baking companies had been covered. This is explained by the fact that the prices selected were generally for large loaves which often [46] sell at a lower price per pound than the small loaves, and by the additional fact that rolls and special kinds of bread, other than the best sellers for which the prices were given, are nearly always sold at higher prices per pound. It is obvious that these higher prices for certain products have their effect in raising the average net sales per pound above the prices for the selected brand or brands.

It will be evident from this discussion that there are reasons for expecting differences between average net sales figures and price statistics. There are possibly other facts which would account for such differences in addition to the ones which have been mentioned. It may also be true that in some cases two contrary influences have the effect of offsetting each other in whole or in part. Hence, without a complete understanding of the circumstances in each case, it is not possible to know how close a correspondence to expect between the figures for net sales and prices. If the prices really represent the figures at which a considerable part of the sales of the entire product are made, it is reasonable to expect a rather close correspondence between the two sets of figures; but factors such as those mentioned above may account for considerable variations between them. Obviously the average net sales figures, which are based on the actual receipts, are more likely to furnish an accurate measure of the returns from the entire business than such prices as have been presented.

Two tables are given below which show net sales realization for different cities. One of these covers the six years 1920 to 1925, and gives figures for 34 cities, while the other covers only the three years 1923–1925, but includes figures for 72 cities.[47] For both tables the figures are for identical companies in all the years.[48] For a considerable number of cities such figures were available for only a single company, but where two or more companies had furnished satisfactory figures for the same city the results were combined in true averages.[49] The number of companies representing the several cities varies from one to four.[50]

The 34 cities represented in Table 37 are also included in Table 38, but for nine of these there are differences between the two tables in the figures for one or more of the years. This is explained by the fact that for these cities figures for a larger number of companies were available and were combined in the averages for the three-year period than in those for the six-year period.[51]

Some measure of the importance of the plant or plants representing each city is given by the average annual production figures, which appear in the first column of each table.[52]

[46] But not always; see discussion of this subject on p. 198, note 16.
[47] The corresponding price tables, give figures for only 9 cities and 54 cities, respectively. See Table 34, p. 200 and Table 36, p. 204.
[48] There is one exception, which is explained in the notes accompanying Table 37, p. 214 and Table 38, p. 216.
[49] Computed from the combined production and combined net sales figures for the two or more companies.
[50] Except the averages for New York City, which in both tables combined the figures for seven companies.
[51] These 9 cities are designated in Table 38.
[52] These figures differ in the two tables for cities common to both, because in one case the figures are averages for the production of 6 years and in the other for the production of only 3 years; also for the 9 cities just mentioned, because the figures for more companies are included in the averages for the shorter period, as just explained.

It is important to note the fact that the average net sales figures for two companies in the same city may differ considerably for the same year. Such differences may be attributed to various causes—e. g., the two companies may cater to distinctly different classes of trade and sell products differing considerably in quality and hence having very different prices. Again, two companies with similar products and substantially the same prices for corresponding brands may have a very different percentage distribution of quantities sold at various prices. Still another cause for differences between average net sales figures for two companies may be found where they have the same city prices but one confines its sales entirely or chiefly to the city trade while the other sells a large part of its product in outside territory at prices lower or higher than the city prices. (See p. 211 above.)

If differences in net sales figures due to such causes as have been pointed out are to be found in the figures for two companies or two plants operating in the same city, naturally they are even more likely to occur as between different cities. For this reason some question may naturally arise regarding the value of such net sales figures as are presented below, in connection with a study of prices, particularly where some cities are represented by the figures for a single company. It must be admitted that the criticism is in a measure justified; but where figures for identical companies are used for all years they doubtless have a value in giving some indication of the trend of prices from year to year. This will be so, if as is probably true, there are no fundamental changes in the character of the business of most companies from year to year over relatively short periods.

On the other hand, for reasons which are obvious from the preceding discussion, it is necessary to be cautious in reaching any conclusions about comparative prices in different cities from the average net sales statistics, unless they are the result of combinations of the figures for enough companies for each city to insure that the figures are representative of the entire business of the particular cities. Since, however, the net sales figures presented are in most cases those of important companies, some general conclusions derived from a comparison of the figures for different cities are probably warranted.

Average net sales realization for 34 cities, 1920–1925.—Table 37, which follows, gives average net sales figures for the years 1920 to 1925, inclusive, for each of 34 cities, with true averages [53] by geographic divisions and for the 34 cities combined. The geographic distribution of the cities represented in this table is as follows: 14 in the East North Central division, 6 each in the Middle Atlantic and West North Central divisions, 2 only in New England,[54] and 6 in other parts of the country.[55]

[53] That is to say, these group averages were computed from the total production in pounds and total net sales figures of all companies represented in the particular groups, whereas the group averages in the price tables in the preceding section are simple averages of the figures for the several cities in the respective groups.
[54] On account of the small number of cities represented the two New England cities were grouped with the six for the Middle Atlantic division.
[55] A group average is given for these six cities combined but it should be noted that this does not represent a single geographic division as the other group averages do.

TABLE 37.—*Annual average net sales realization on bread business of wholesale bakers in 34 specified cities, 1920–1925* [1]

[In cents per pound after baking]

City	Average annual production	Average net sales						Per cent decrease	
		1920	1921	1922	1923	1924	1925	1920–21	Maximum
	Million pounds								
New England and Middle Atlantic:									
Boston	74.9	10.1	8.8	7.3	7.4	7.2	7.8	12.9	28.7
Providence	30.0	10.2	8.8	7.2	7.3	7.2	7.8	13.7	29.4
New York City	243.4	9.6	8.1	7.2	7.3	7.4	7.7	15.6	25.0
Rochester	29.0	9.8	7.5	6.6	7.1	7.0	7.4	23.5	32.7
Buffalo	37.4	9.7	7.4	6.6	6.7	7.0	7.9	23.7	32.0
Newark	78.4	9.9	8.5	7.2	7.2	7.3	7.8	14.1	27.3
Philadelphia	184.9	9.9	8.4	7.8	7.7	7.9	8.9	15.2	22.2
Pittsburgh	59.1	10.4	7.8	6.8	6.8	7.2	7.8	25.0	34.6
Group	737.1	9.8	8.2	7.3	7.3	7.4	8.0	16.3	25.5
East North Central:									
Youngstown	9.8	10.1	7.8	7.1	6.6	6.6	6.9	22.8	34.7
Steubenville	2.1	9.6	7.6	6.6	6.9	6.9	7.0	20.8	31.3
Cleveland	36.6	10.4	8.1	7.1	7.2	6.9	6.9	22.1	33.7
Akron	19.7	9.9	8.1	6.6	6.8	6.8	7.0	18.2	33.3
Canton	3.4	9.5	7.8	6.3	6.6	6.6	6.7	17.9	33.7
Toledo	23.9	10.3	7.6	7.1	6.2	6.9	6.9	26.2	39.8
Columbus	16.1	9.7	8.5	7.0	6.9	7.0	7.1	12.4	28.9
Dayton	21.6	9.6	7.3	6.4	6.6	6.6	6.6	24.0	33.3
Cincinnati	8.9	9.7	7.9	7.1	7.0	6.8	7.6	18.6	29.9
Gary	5.4	10.7	8.8	7.9	7.9	7.7	7.7	17.8	28.0
Chicago	101.1	10.3	8.7	7.8	8.0	7.8	7.9	15.5	24.3
Detroit	51.1	10.4	8.4	7.1	7.4	7.5	7.2	19.2	31.7
Flint	5.8	10.5	8.8	7.4	8.1	8.1	8.1	16.2	29.5
Grand Rapids	5.2	9.9	8.5	6.8	6.8	6.7	7.3	14.1	32.3
Group	310.7	10.0	8.3	7.3	7.3	7.3	7.3	18.6	28.4
West North Central:									
Duluth	7.0	8.1	7.9	7.6	7.8	7.8	8.8	2.5	6.2
Mnneapolis-St. Paul	61.7	9.4	7.7	7.1	7.6	7.6	8.7	8.3	15.5
Des Moines	4.3	9.6	8.4	6.8	7.4	7.1	7.5	12.5	29.2
St. Louis	43.8	9.5	8.2	7.1	7.1	7.3	7.6	13.7	25.3
Kansas City	6.2	10.0	8.3	6.8	7.1	6.7	7.9	17.0	33.0
Omaha	5.5	9.1	8.4	7.3	7.6	7.4	7.7	7.7	19.8
Group	128.4	8.9	8.0	7.1	7.4	7.4	8.3	10.1	20.2
Southern and Western:									
Baltimore	62.4	9.4	7.9	7.2	7.0	7.1	7.7	16.0	25.5
Washington	39.5	10.4	8.9	7.5	8.0	8.3	8.2	14.4	27.9
Richmond Va	7.9	11.0	9.2	7.8	7.5	7.6	7.9	16.4	31.8
Wheeling	5.2	9.1	7.7	6.5	6.5	6.4	6.6	15.4	29.7
New Orleans	7.3	9.3	7.8	6.8	6.9	6.8	7.5	16.1	26.9
Los Angeles	17.2	8.8	7.5	7.3	7.3	7.3	8.1	14.8	17.0
Group	139.5	9.8	8.2	7.3	7.3	7.4	7.9	16.3	25.5
34 cities	1,315.7	9.8	8.2	7.3	7.3	7.4	7.8	16.3	25.5

[1] The figures are for identical companies in all years except the 1925 figures for one city. In that case the figures for a certain company were used for the years 1920–1924, but being obviously incorrect for 1925, the figure for another company was substituted for that year.

The average net sales figure for the 34 cities taken together shows a decrease from 9.8 cents for 1920 to 8.2 cents for 1921 and 7.3 cents for 1922, or 16.3 per cent decline in one year and 25.5 per cent in two years. Practically no change appears in the figures for the years 1922 to 1924, while an increase of two-fifths cent is shown for 1925 over the figure for 1924.

In the averages for the different groups there is either agreement with these figures for the 34 cities combined or only slight variation, except in the figures for 1920 and 1925 for the two North Central divisions. There is a marked contrast in the 1925 figures for these two divisions, the figures for the eastern group being the same as that for 1924, while for the western group there was an increase of nine-tenths cent in the 1925 figure over that for 1924. The combined figures for the New England and Middle Atlantic cities as well as the figures for the six southern and western cities combined show the same percentages of decrease from 1920 to the year of lowest average net sales as do the figures for the 34 cities combined, viz, 25.5 per cent. On the other hand, the figures for the East North Central group show a maximum decrease of 28.4 per cent and those of the West North Central group only 20.2 per cent.

For the great majority of the cities included in the table 1922 was the year of lowest average net sales,[56] and for the rest the lowest figure was reached in about the same number of cases in 1923 and 1924. The greatest relative decline from the high figure of 1920 to the lowest yearly average of the series was nearly 40 per cent and the least slightly more than 6 per cent. Only 8 cities show a lower per cent of decrease than that for the 34 cities combined (25.5 per cent).[57]

Average net sales realization for 72 cities, 1923–1925.—The next table gives average net sales figures for the years 1923, 1924, and 1925 for each of 72 cities, and is followed by a summary showing the true averages for these cities by geographic divisions.[58] All cities were included for which there were satisfactory statistics for one or more companies for the entire three-year period. The list embraces cities varying greatly in importance as centers of population, but includes only four with less than 25,000 inhabitants. The summary shows great differences in the representation for different groups, ranging from five cities for the Mountain and Pacific divisions combined, to 25 for the East North Central division.

The list of 72 cities includes the 34 for which figures are given in Table 37, covering the years 1920–1925; but for nine of this number [59] the figures in the two tables are not always identical for a given year, because as has already been explained (p. 212), figures for a larger number of companies were used in computing the averages for these cities in Table 38 than in Table 37.

[56] For 21 cities the figures were either the lowest in that year or as low as in any of the six years covered by the table.

[57] This relatively small number is explained largely by the fact that among these eight cities are New York, Philadelphia, and Chicago, which have the greatest weight in determining the average for the 34 cities, as will be seen by an examination of the production figures in the first column in Table 37. See note 53, p. 213.

[58] On account of the small number of cities representing the New England division, these were grouped with the cities of the Middle Atlantic division; similarly the figures for the East South Central and West South Central divisions were combined in one group, there being only three cities representing the former.

[59] These cities are designated in Table 38.

TABLE 38.—*Annual average net sales realization on bread business of wholesale bakers in 72 specified cities, 1923–1925* [1]

[In cents per pound after baking]

City	Average annual production (million pounds)	Average net sales		
		1923	1924	1925
Boston, Mass	77.3	7.4	7.2	7.8
Springfield, Mass	19.1	7.1	6.8	7.5
Providence, R. I	35.9	7.3	7.2	7.8
Waterbury, Conn	10.1	6.7	7.0	7.6
Troy, N. Y	3.8	6.7	6.8	7.3
New York City, N. Y	267.2	7.3	7.4	7.7
Utica, N. Y	6.4	6.9	7.4	8.0
Binghamton, N. Y	11.5	7.3	6.7	7.0
Syracuse, N. Y	13.1	6.8	7.0	7.7
Rochester, N. Y	30.0	7.1	7.0	7.4
Buffalo, N. Y	40.4	6.7	7.0	7.9
Paterson, N. J	16.6	7.3	7.4	7.9
Newark, N. J	85.5	7.2	7.3	7.8
Philadelphia, Pa	188.5	7.7	7.9	8.9
Pittsburgh,[2] Pa	74.8	6.8	7.2	7.9
Youngstown,[2] Ohio	19.7	6.6	6.7	7.0
Steubenville, Ohio	2.3	6.9	6.9	7.0
Cleveland, Ohio	38.9	7.2	6.9	6.9
Akron, Ohio	23.0	6.8	6.8	7.0
Canton, Ohio	2.7	6.6	6.6	6.7
Zanesville, Ohio	2.9	6.9	7.0	7.3
Toledo, Ohio	28.9	6.2	6.9	6.9
Columbus, Ohio	18.3	6.9	7.0	7.1
Dayton, Ohio	26.5	6.6	6.6	6.6
Cincinnati, Ohio	9.4	7.0	6.8	7.6
Indianapolis, Ind	19.7	7.1	7.1	7.3
South Bend, Ind	8.7	6.8	7.2	7.4
Gary, Ind	6.0	7.9	7.7	7.7
Hammond, Ind	4.1	7.9	8.1	8.3
Terre Haute, Ind	3.8	7.1	7.2	6.7
Vincennes, Ind	.7	6.3	6.0	6.5
Chicago, Ill	102.9	8.0	7.8	7.9
Peoria, Ill	3.4	7.3	7.3	8.1
Springfield, Ill	6.4	7.2	7.1	7.3
Detroit, Mich	60.5	7.4	7.5	7.2
Flint, Mich	6.7	8.1	8.1	8.1
Jackson, Mich	3.2	7.4	7.1	6.8
Battle Creek, Mich	3.0	7.6	7.6	7.2
Grand Rapids, Mich	7.1	6.8	6.7	7.3
Milwaukee, Wis	7.7	7.7	7.8	8.0
Duluth,[2] Minn	9.6	7.6	7.8	8.8
Minneapolis and St. Paul, Minn	63.1	7.6	7.6	8.7
Winona, Minn	.2	8.2	7.9	8.3
Davenport, Iowa	9.9	6.8	7.0	8.1
Waterloo, Iowa	3.3	6.9	7.0	8.0
Des Moines,[2] Iowa	19.0	7.1	7.0	7.8
Sioux City, Iowa	9.5	6.6	6.6	7.5
St. Louis, Mo	41.8	7.1	7.3	7.6
St. Joseph, Mo	7.1	6.9	7.3	8.0
Kansas City,[2] Mo	25.7	6.9	7.0	8.0
Omaha,[2] Nebr	23.3	7.7	7.5	7.7
Topeka, Kans	4.5	6.7	6.9	7.9
Wichita, Kans	6.2	6.9	7.0	8.0
Baltimore, Md	64.8	7.0	7.1	7.7
Washington, D. C	39.3	8.0	8.3	8.2
Richmond, Va	7.5	7.5	7.6	7.9
Wheeling,[2] W. Va	13.5	6.5	6.4	6.7
Huntington, W. Va	4.7	6.2	7.0	7.2
Savannah, Ga	6.8	7.0	6.8	8.0
Memphis, Tenn	11.5	7.0	7.0	7.8
Meridian, Miss	2.1	8.0	8.0	7.9
Clarksdale, Miss	2.2	8.0	7.8	8.2
New Orleans,[2] La	12.2	6.9	6.5	7.2
Shreveport, La	7.0	7.4	7.3	7.9
Tulsa, Okla	5.7	7.1	7.3	8.1
Oklahoma City, Okla	7.2	6.6	7.0	7.9
Dallas, Tex	12.4	7.0	6.9	7.4
Butte, Mont	1.8	7.8	7.3	7.9
Pueblo, Colo	6.0	6.7	7.2	7.7
Portland, Oreg	3.8	7.9	8.0	7.4
Fresno, Calif	9.9	7.1	7.1	8.0
Los Angeles,[2] Calif	36.4	7.7	7.8	8.2

[1] The figures are for identical companies for all the years, except the 1925 figure for one city. In that case the figures for a certain company were used for 1923 and 1924, but being obviously incorrect for 1925, the figure for another company was substituted for that year.

[2] The figures for this city cover a larger number of companies than those for the same city in Table 37.

Summary of Table 38

Division	Number of cities	Average annual production (million pounds)	Average net sales		
			1923	1924	1925
New England and Middle Atlantic	15	880.2	7.3	7.4	8.0
East North Central	25	416.5	7.3	7.3	7.3
West North Central	13	223.2	7.3	7.3	8.1
South Atlantic	6	136.6	7.3	7.4	7.8
South Central	8	60.3	7.1	7.0	7.6
Mountain and Pacific	5	57.9	7.5	7.6	8.0
All cities	72	1,774.7	7.3	7.3	7.8

This summary shows for the 72 cities combined an average net sales figure of 7.3 cents both in 1923 and 1924, with an increase of one-half cent in 1925. For the two years 1923 and 1924 the figures for the first four divisions were either identical with or but slightly higher than the average for all cities combined. Moreover, the range between the figures for the South Central group, which were lowest in both years, and those of the Mountain and Pacific group, which were highest in both years, was only two-fifths cent for 1923 and three-fifths cent for 1924.

A range of four-fifths cent is shown in the 1925 figures for the different groups, or from 7.3 cents for the East North Central group to 8.1 cents for the West North Central. The group figures show increases in the 1925 figures over those for 1924 ranging from two-fifths cent to four-fifths cent, except the East North Central division, the figures for which remained the same for the three years.

Comparison of average net sales with average prices.—Certain differences between price statistics and average net sales figures were pointed out at the beginning of this section (p. 211), and attention was called to the fact that on account of these differences in the nature of the figures, more or less divergence of one set of averages from the other may be expected.

It will be of interest to compare average prices and average net sales, in order to determine how important these differences are. Before doing this, however, it is necessary to mention the fact that strictly accurate comparisons can not be made for all the cities from the price and net sales statistics which have already been given, because figures for the same companies were not used in every case in compiling price statistics and average net sales for the same city. Since, as has already been noted, there may be considerable differences between the average net sales for plants of two different companies in the same city (p. 213), it is desirable to make the comparisons between prices and net sales for any city by taking the figures in both cases for the same company or group of companies. Comparisons on this basis will be made later. (See p. 220).

While comparisons for single cities should be made on the basis just indicated, comparisons for groups of cities based on the figures already presented seem permissible, because the averages are based on combinations of figures for relatively large numbers of cities and plants, in which the peculiarities of the figures for particular plants or cities may be expected to offset one another at least to some extent.

For the six-year period 1920–1925 it is not practicable to make a comparison of prices with average net sales by geographic divisions, because so few cities are represented in the price statistics. A comparison may be made between the average prices for nine large cities combined, as given in Table 34 (p. 200) with the average net sales for 34 cities combined, as given in Table 37 (p. 214), although, of course, such a comparison might be expected to show marked differences due to the very unequal representation of cities in the two sets of figures.[60] As a matter of fact, a very close correspondence will be observed between the average prices for the nine cities and the average net sales for the 34 cities, the maximum difference being in the figures for 1921, for which the average price is 8.5 cents and the average net sales 8.2 cents, while for the years 1924 and 1925 the averages for prices and net sales are identical.

For the three-year period 1923–1925 a comparison may be made between the averages for geographic divisions, derived from Table 35 (p. 203) and Table 38 (p. 216). In this comparison the two sets of figures are for groups of cities more nearly corresponding with each other, although even here considerable differences will be found between the number of cities represented in the averages for prices and net sales as appears from the first set of columns in the following table:

TABLE 39.—*Comparison of annual average wholesale prices of bread with average net sales realization of wholesale bakers on their bread business, by geographic divisions for the years 1923, 1924, and 1925* [1]

[In cents per pound after baking]

Division	Number of cities represented		1923		1924		1925	
	Price	Net sales	Average price	Average net sales	Average price	Average net sales	Average price	Average net sales
New England and Middle Atlantic	19	15	7.3	7.3	7.3	7.4	7.7	8.0
East North Central	18	25	7.1	7.3	7.1	7.3	7.4	7.3
West North Central	6	13	7.0	7.3	7.2	7.3	7.8	8.1
South Atlantic	5	6	6.9	7.3	7.2	7.4	7.4	7.8
Other cities	6	13	7.0	7.3	7.1	7.3	7.7	7.8
All cities	54	72	7.1	7.3	7.2	7.3	7.6	7.8

[1] The figures are derived from Table 35 (p. 203) and Table 38 (p. 217). In order to make the groups as nearly comparable as possible for the two sets of figures, the prices from the New England and Middle Atlantic States, as shown in Table 35, were combined, while the average net sales figures for the South Central and Mountain and Pacific divisions, as shown in Table 38, were also combined.
It should be noted that the prices are simple averages of the figures for the several cities representing the particular groups, while the net sales figures are true averages.

This table shows a close correspondence in most cases between average prices and average net sales for the same group and year. The maximum difference for 1923 and 1925 is two-fifths of a cent, while for 1924 it is only one-fifth cent. The figures for all cities combined do not differ by more than one-fifth cent for any year. The net sales figures are higher than the average prices with two exceptions, in one of which the two figures are identical, and in the other the net sales figure is only very slightly lower than the average price. In a measure, these net sales figures seem to confirm the

[60] It may also be noted that the price figures are simple averages, while the net sales are true averages. A comparison of average prices for the nine cities combined with average net sales for the same group is given in Table 40 (p. 219).

accuracy of the prices, where the figures for several cities are combined in a single average.

It is interesting to note that the net sales averages are identical for all groups for 1923, and almost so for 1924, but for 1925 the minimum and maximum group averages differ by four-fifths of one cent, the range being from 7.3 cents to 8.1 cents. It will be noted further that for 1925 the range in group price averages is only half as wide as that for net sales, the minimum and maximum figures being 7.4 cents and 7.8 cents, respectively. On the other hand, the range is greater for prices than for net sales for the other two years, though for 1924 the difference is negligible.

It seems worthy of note that the extreme range as between groups in the figures for this three-year period is only two-fifths cent for prices and four-fifths cent for net sales.

The two tables which follow were compiled in order to make comparisons as nearly accurate as possible between average prices and average net sales for particular cities. With minor exceptions in a very few cases, the figures for the same company or group of companies were used in compiling net sales for a given city as had been used in compiling the price statistics for that city. It should be carefully noted that the average net sales figures in these two tables (Table 40 and Table 41) for a particular city do not in some cases agree with the average net sales figures previously given for the same city, because in the earlier tables the average net sales were based on combinations of the figures for as many companies as were available, regardless of the fact that some of these were not represented in the price figures.

The following table compares the annual average prices for nine large cities already shown in Table 34 (p. 200) with the average net sales figures for the same cities, for the years 1920-1925, inclusive. As already stated, the figures for each city represent as nearly as practicable the returns for the same company or companies in the net sales column as in the price column.

TABLE 40.—*Comparison of annual average wholesale prices of bread with average net sales realization* [1] *on bread business of wholesale bakers, for nine specified cities, 1920–1925* [2]

[In cents per pound after baking]

City	1920		1921		1922		1923		1924		1925	
	Price	Net Sales	Price	Net sales	Price	Net sales	Price	Net sales	Price	Net sales	Price	Net sales
Boston	10.2	10.6	9.1	9.7	7.3	8.1	7.2	8.0	7.2	7.4	7.9	8.0
Providence	10.2	10.5	9.1	9.5	7.3	7.9	7.2	7.9	7.2	7.6	7.9	8.0
New York	10.1	10.2	8.6	8.7	7.5	7.7	7.5	7.6	7.6	7.5	7.9	7.7
Newark	10.1	10.5	8.6	8.9	7.4	7.6	7.3	7.4	7.4	7.5	7.9	8.1
Philadelphia	9.2	9.9	8.1	8.6	7.8	8.1	7.5	7.6	7.5	7.8	8.3	9.3
Baltimore	10.2	9.4	8.3	7.9	7.9	7.2	7.7	7.0	7.5	7.1	7.8	7.7
Pittsburg	9.9	10.4	8.3	7.8	7.2	6.8	7.2	6.8	7.2	7.2	7.9	7.8
Cleveland	9.8	10.8	7.6	8.5	6.5	7.4	6.5	7.5	6.7	7.0	6.6	7.0
Chicago	9.9	10.3	8.7	8.7	8.2	8.0	8.4	7.9	8.4	7.9	8.3	8.1
Nine cities [3]	10.0	10.2	8.5	8.5	7.5	7.6	7.4	7.5	7.4	7.5	7.8	8.0

[1] The method of computing average net sales realization is described in Chap. VIII, sec. 7 (p. 289).
[2] The average net sales figures as given in this table differ in many cases from the figures for the same cities as given in Table 37. The reason for this is stated in the text on this page.
[3] The prices are simple averages of the figures for the 9 cities, while the net sales are true averages computed from total production and total net sales for the companies whose figures are represented in the averages for the several cities. However, the simple averages of the net sales figures are either identical with the true averages or differ only slightly, the maximum difference for any year being one-fifth cent.

The figures for the nine cities combined show a very close correspondence between average prices and average net sales. The two are identical for 1921, and the maximum difference for any year is one-fifth cent. Where there is a difference, the net sales figure is higher than the average price. In the figures for individual cities considerable variation is found, the differences being very slight in some cases, but running as high as 1 cent for Cleveland in two years and Philadelphia in one.

In the following table a comparison is made between average prices and average net sales for the years 1923–1925, inclusive, for 42 cities, or all for which it was possible to make exact comparisons between the two sets of figures. Attention is called again to the fact that the net sales figures for some of the cities as given in this table do not agree with those given for the same cities in Table 38. The reason for the differences has already been stated (p. 219).

TABLE 41.—*Comparison of annual average wholesale prices of bread with average net sales realization on bread business of wholesale bakers, for 42 specified cities, 1920–1923* [1]

[In cents per pound after baking]

City	1923		1924		1925	
	Price	Net sales	Price	Net sales	Price	Net sales
New England and Middle Atlantic:						
Boston, Mass.	7.2	8.0	7.2	7.4	7.9	8.0
Providence, R. I.	7.2	7.9	7.2	7.6	7.9	8.0
New York City, N. Y.	7.5	7.6	7.6	7.5	7.9	7.7
Syracuse, N. Y.	6.8	6.9	6.9	7.2	7.7	7.8
Rochester, N. Y.	7.0	7.0	7.2	7.0	7.5	7.6
Buffalo, N. Y.	7.0	6.9	7.3	7.4	7.6	7.7
Paterson, N. J.	7.3	7.3	7.3	7.4	7.8	7.9
Newark, N. J.	7.3	7.4	7.4	7.5	7.9	8.1
Philadelphia, Pa.	7.5	7.6	7.5	7.8	8.3	9.3
Pittsburgh, Pa.	7.2	6.8	7.2	7.2	7.9	7.8
Average [2]	7.2	7.3	7.3	7.4	7.8	8.0
East North Central:						
Youngstown, Ohio	6.9	6.6	6.9	6.7	6.8	7.0
Cleveland, Ohio	6.5	7.5	6.7	7.0	6.6	7.0
Akron, Ohio	6.7	6.7	6.7	6.7	6.7	7.2
Zanesville, Ohio	6.7	6.9	6.7	7.0	7.1	7.3
Toledo, Ohio	6.1	6.1	6.7	6.9	6.9	6.9
Columbus, Ohio	6.8	6.9	6.8	7.0	6.7	7.1
Dayton, Ohio	6.7	6.6	6.7	6.6	6.7	6.6
Cincinnati, Ohio	7.0	7.0	7.0	6.8	7.9	7.6
Indianapolis, Ind.	7.0	7.1	7.0	7.1	7.0	7.3
South Bend, Ind.	6.4	6.8	6.8	7.2	7.3	7.4
Hammond, Ind.	8.3	7.9	8.3	8.1	8.3	8.3
Chicago, Ill.	8.4	7.9	8.4	7.9	8.3	8.1
Peoria, Ill.	6.9	7.3	6.9	7.3	8.3	8.1
Springfield, Ill.	8.3	7.1	8.3	7.0	8.3	7.4
Grand Rapids, Mich.	6.9	6.8	7.1	6.7	8.2	7.3
Milwaukee, Wis.	7.5	7.7	7.5	7.5	7.5	7.8
Average [2]	7.1	7.1	7.2	7.1	7.4	7.4
West North Central:						
Minneapolis-St. Paul, Minn.	7.6	7.2	7.6	7.1	8.5	8.1
Des Moines, Iowa	7.0	7.3	7.1	7.0	7.8	7.5
St. Joseph, Mo.	5.5	6.9	6.3	7.3	6.7	8.0
Kansas City, Mo.	7.3	6.9	7.4	7.0	7.8	8.0
Omaha, Nebr.	8.1	7.7	8.2	7.5	8.6	7.7
Topeka, Kans.	6.4	6.7	6.7	6.9	7.6	7.9
Average [2]	7.0	7.1	7.2	7.1	7.8	7.9

[1] The average net sales figures as given in this table, differ in some cases from the figures for the same cities as given in Table 38. The reason for this is stated in the text. See p. 219.

[2] Simple averages both for prices and net sales.

TABLE 41.—*Comparison of annual average wholesale prices of bread with average net sales realization on bread business of wholesale bakers, for 42 specified cities, 1920–1923*—Continued

[In cents per pound after baking]

City	1923		1924		1925	
	Price	Net sales	Price	Net sales	Price	Net sales
South Atlantic:						
Baltimore, Md.	7.7	7.0	7.5	7.1	7.8	7.7
Washington, D. C.	7.6	8.2	8.0	8.4	7.1	8.3
Richmond, Va.	6.9	7.5	6.8	7.6	7.3	7.9
Wheeling, W. Va.	6.7	6.6	6.9	6.5	7.3	6.7
Huntington, W. Va.	5.7	6.2	6.9	7.0	7.4	7.2
Average [2]	6.9	7.1	7.2	7.3	7.4	7.6
Other cities:						
Oklahoma City, Okla.	5.9	6.6	6.4	7.0	7.1	7.9
Dallas, Texas	7.0	7.1	7.0	7.0	7.0	7.7
Butte, Mont.	8.0	7.8	8.0	7.3	8.2	7.9
Fresno, Calif.	7.0	7.1	7.1	7.1	8.1	8.0
Los Angeles, Calif.	7.3	7.3	7.4	7.3	7.8	8.1
Average [2]	7.0	7.2	7.2	7.1	7.6	7.9
42 cities [2]	7.1	7.2	7.2	7.2	7.6	7.7

[2] Simple averages both for prices and net sales.

Where the figures for several cities are combined as in the averages for geographic divisions, there is a very close correspondence between prices and average net sales, the maximum difference, with the exception of that for the last group for 1925, being only one-fifth cent. For the 42 cities taken together the two sets of figures do not differ by more than one-tenth cent for any year. In the group figures for 1923 and 1925, where net sales and prices are different, the former are always higher, but for 1924 three groups show net sales figures lower than prices.

There are wide variations as between cities in the relation between prices and net sales. For many the two sets of figures are either identical or differ very slightly for any year. For more than half the cities the difference is less than one-half cent for every year. Differences of as much as one cent are found in a few cases.

For nearly half the cities there is no year in which net sales are lower than prices, while for about 30 per cent of the cities there is no year in which prices are lower than net sales.

Section 5. Retail prices.

Introduction.—The commission found it impracticable to collect statistics of retail prices of bread covering a period of several years, although a special investigation of retail and wholesale prices and competitive conditions covering a brief period was made in a large number of cities.[61] The figures presented here were derived from publications of the Bureau of Labor Statistics of the United States Department of Labor.[62] These present tables of retail prices of a large number of articles of food for 51 cities in different parts of the country, which include statistics of the prices of bread per pound

[61] See p. 197, note 10.

[62] These figures are found in the bulletins on Retail Prices issued yearly by this bureau, supplemented by later figures in this Monthly Labor Review.

(after baking) on the fifteenth of each month, together with simple yearly averages of these monthly figures.

Appendix Table 4 presents these monthly retail prices of bread for each of the 51 cities for the period 1920 to 1925, inclusive. The geographic distribution of these cities is as follows: Seven each in the New England and Middle Alantic divisions; nine in the East North Central division; five in the West North Central division; eight in the South Alantic division; four in each of the South Central divisions; and seven in the Mountain and Pacific divisions combined.

Three tables, derived from the monthly figures of Appendix Table 4 are given below. The first of these shows the monthly and yearly average prices for the 51 cities combined. The figures are simple averages in which the prices for all the cities have equal weight. The second table shows the annual average prices for the cities of each geographic group combined, together with the per cent of decrease from the 1920 average to the 1921 average and from the 1920 average to the average of the year of lowest prices. These group averages also are not weighted. The third table shows the simple annual average prices for each of the 51 cities for the six-year period, as well as the percentages of decrease similar to those in the second table.

Monthly average retail prices for 51 cities combined.—The following table presents the monthly and yearly simple average prices for the 51 cities taken together:

TABLE 42.—*Monthly average retail prices of bread for 51 cities combined, 1920–1925* [1]

[In cents per pound after baking]

	1920	1921	1922	1923	1924	1925
January	10.8	10.8	8.8	8.7	8.8	9.3
February	11.1	10.6	8.7	8.7	8.8	9.5
March	11.2	10.5	8.7	8.7	8.8	9.5
April	11.2	10.3	8.8	8.8	8.8	9.4
May	11.6	9.9	8.8	8.8	8.8	9.4
June	11.9	9.8	8.8	8.8	8.8	9.4
July	11.9	9.7	8.8	8.8	8.8	9.4
August	11.9	9.7	8.8	8.8	8.8	9.4
September	11.9	9.6	8.8	8.8	8.9	9.4
October	11.8	9.6	8.7	8.8	8.9	9.4
November	11.7	9.3	8.7	8.8	8.9	9.4
December	10.9	9.2	8.7	8.8	9.0	9.4
Year	11.5	9.9	8.8	8.8	8.8	9.4

[1] Simple averages computed from the prices of the Bureau of Labor Statistics for the individual cities for the fifteenth of the month. (See Appendix Table 4.)

This table shows that for the six-year period 1920-1925 the maximum monthly average retail price was 11.9 cents (from June to September, 1920) and the minimum 8.7 cents (for several months in 1922 and 1923). There was a pronounced break in the price in the last month of 1920, followed by a gradual but continuous decline through 1921 and running into 1922. The low price of the series was first reached in February, 1922, when the average fell to a point more than 3 cents per pound, and nearly 27 per cent, below the high price of the summer of 1920. During 1922, 1923, and most of 1924 the average price for the 51 cities combined was nearly stationary. An advance in the last quarter of 1924 and the first quarter of 1925 accounts for an increase of three-fifths cent in the average price for the year 1925 over that for 1924, although the monthly average price remained stationary at 9.4 cents from April, 1925, to the end of the year.

A reference to the following diagram indicates that the movement of retail prices during this six-year period followed very closely the trend of wholesale prices, although the statistics of retail and wholesale prices on which the curves in this diagram are based are not strictly comparable.[63]

Annual average retail prices by geographic divisions.—The following table shows the annual average retail prices for the cities in each geographic division as a group,[64] together with the percentages of decline in price from 1920 to 1921 and from 1920 to the year of lowest average price. The figures in all cases are simple averages.

TABLE 43.—*Annual average retail prices of bread by geographic divisions, 1920–1925* [1]

[In cents per pound after baking]

Division	Number of cities	Price						Per cent decrease	
		1920	1921	1922	1923	1924	1925	1920 to 1921	Maximum
New England	7	11.7	10.2	8.7	8.6	8.6	9.0	12.8	26.4
Middle Atlantic	7	11.5	9.8	8.7	8.6	8.7	9.3	14.7	25.2
East North Central	9	11.5	9.8	8.6	8.6	8.8	9.1	14.7	25.2
West North Central	5	11.6	10.1	8.9	9.0	9.0	9.8	12.9	23.3
South Atlantic	8	11.8	10.4	9.1	9.0	9.1	9.9	11.9	23.7
East South Central	4	11.2	9.8	8.8	8.8	8.9	9.7	12.5	21.4
West South Central	4	10.8	9.2	8.0	8.0	8.0	8.8	14.8	25.9
Mountain and Pacific	7	11.5	9.7	9.1	9.2	9.2	9.7	15.7	20.9
United States	51	11.5	9.9	8.8	8.8	8.8	9.4	13.9	23.5

[1] Simple averages computed from the annual averages, for the cities in the respective groups, published by the Bureau of Labor Statistics, and shown in Table 44, p. 225.

The difference between the highest and lowest group averages differs only slightly in the different years, the range being only from 1 cent to 1.2 cents. In every year the average for the group of four West South Central cities[65] is lower than that for any other group, and from 1921 to 1924, inclusive, it is at least one-half cent lower than the lowest figure for any other group. The figures for the South Atlantic group are relatively high in all the years, being the highest for all the groups in 1920, 1921, and 1925, and as high as for any other group in 1922. If the figures for the West South Central group are left out of consideration, the range between the lowest and highest figures for the other groups varies in the different years from one-half cent to nine-tenths cent, and the greatest difference between the average for the 51 cities combined and the figures for any group, except the West South Central, varies from three-tenths cent to one-half cent.

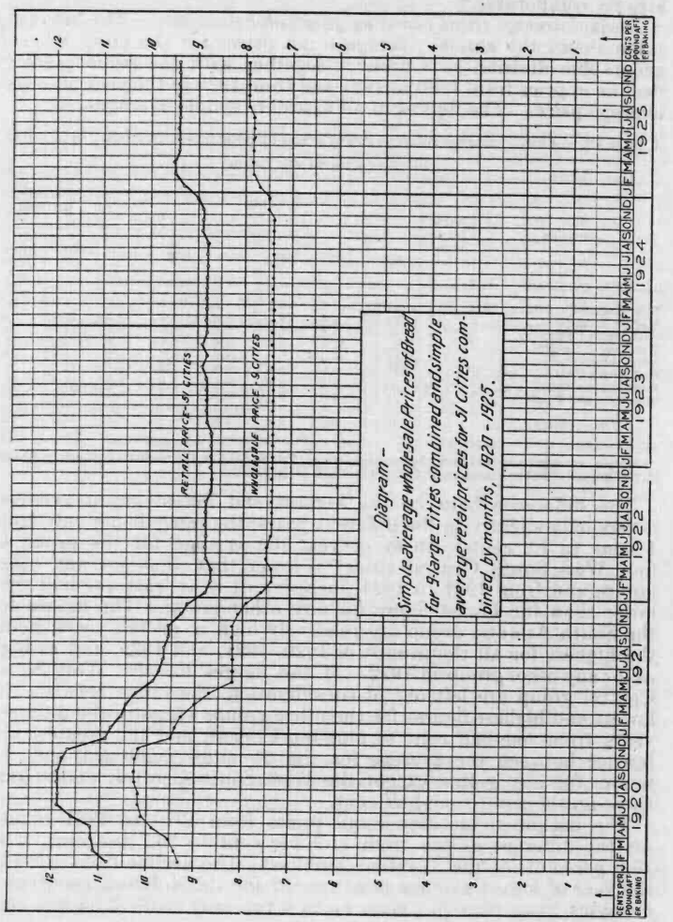
The decline in average retail prices from 1920 to 1921 ranged for the different groups from 11.9 per cent to 15.7 per cent, with 13.9 per cent for the 51 cities combined. The decline from 1920 to the year of lowest average price ranged for the different geographic divisions from 20.9 per cent to 26.4 per cent, with 23.5 per cent for all the cities combined.

[63] While the curve of retail prices is based on simple averages for 51 cities combined, the curve of wholesale prices is based on simple averages for only nine large cities combined. (See Table 34, p. 200.) A comparison of the yearly average retail prices for the same nine cities combined, shows a very close correspondence with the yearly average retail prices for the 51 cities combined, the maximum difference being one-fifth cent. Probably greater differences would be found in the monthly averages; but the comparison of wholesale and retail price trends, as given in the diagram, seems fairly satisfactory, in spite of the difference in the number of cities represented in the two curves.

[64] The mountain and Pacific cities are combined in a single group.

[65] Little Rock, New Orleans, Dallas, and Houston.

The decreases in retail prices seem to have been about the same relatively as those in wholesale prices, where the figures for a considerable group of cities are averaged. It will be noted by reference to Table 34 (p. 200) that the wholesale price of nine large cities com-



bined declined by 15 per cent from 1920 to 1921 and by 26 per cent from 1920 to 1923 and 1924, the years of minimum average wholesale prices for this group.[66]

[66] The average retail prices for the same group of nine cities declined 13.3 per cent from 1920 to 1921 and 23 per cent from 1920 to 1922 and 1923. These percentages are nearly identical with those showing the decline in retail prices for the 51 cities combined, as given in Table 43, p. 223.

Annual average retail prices for individual cities.—Table 44, which follows, gives the annual average retail price for the six years 1920 to 1925 for each of the 51 cities for which the Bureau of Labor Statistics publishes such figures. The table also shows for each city the percentages of decrease in the yearly averages from 1920 to 1921 and from 1920 to the year of lowest average price:[67]

TABLE 44.—*Annual average retail prices of bread for 51 specified cities, 1920–1925*[a]

[In cents per pound after baking]

City	1920	1921	1922	1923	1924	1925	Per cent decrease	
							1920 to 1921	Maximum
Portland, Me	11.8	10.3	9.3	9.3	9.3	10.2	12.7	21.2
Manchester, N. H	10.9	8.8	7.9	8.4	8.3	8.5	19.3	27.5
Boston, Mass	11.2	10.0	8.5	8.4	8.5	9.0	10.7	25.0
Fall River, Mass	11.9	10.6	9.4	9.1	8.8	9.0	10.9	26.1
Providence, R. I	11.9	10.8	8.9	8.8	8.8	9.1	9.2	26.1
New Haven, Conn	11.9	9.9	8.2	8.0	8.2	8.6	16.8	32.8
Bridgeport, Conn	12.2	10.7	8.4	8.4	8.4	8.9	12.3	31.1
New York, N. Y	11.7	10.3	9.5	9.6	9.5	9.6	12.0	18.8
Rochester, N. Y	11.2	9.1	8.1	8.0	8.2	8.8	18.8	28.6
Buffalo, N. Y	11.2	9.4	8.5	8.4	8.4	8.9	16.1	25.0
Newark, N. J	11.2	9.7	8.6	8.5	8.6	9.1	13.4	24.1
Philadelphia, Pa	10.2	9.1	8.7	8.4	8.5	9.3	10.8	17.6
Scranton, Pa	13.3	11.0	9.2	9.0	9.0	10.1	17.3	32.3
Pittsburgh, Pa	11.5	9.7	8.2	8.5	8.5	9.2	15.7	28.7
Cleveland, Ohio	11.2	9.1	7.9	7.9	8.0	8.1	18.8	29.5
Columbus, Ohio	11.1	10.0	7.9	7.8	7.7	8.1	9.9	30.6
Cincinnati, Ohio	10.9	9.5	8.4	8.4	8.4	9.2	12.8	22.9
Indianapolis, Ind	11.1	9.1	7.9	8.5	8.5	8.2	18.0	28.8
Chicago, Ill	12.0	10.3	9.7	9.7	9.8	9.9	14.2	19.2
Peoria, Ill	12.0	10.1	8.9	8.2	8.6	10.0	15.8	31.7
Springfield, Ill	12.7	10.9	9.6	9.4	10.2	10.4	14.2	26.0
Detroit, Mich	11.6	9.7	8.6	8.6	8.8	8.7	16.4	25.9
Milwaukee, Wis	10.7	9.5	8.8	8.9	9.2	9.1	11.2	17.8
St. Paul, Minn	10.9	9.5	9.0	9.4	9.3	10.1	12.8	17.4
Minneapolis, Minn	10.7	9.5	8.8	9.0	8.9	10.0	11.2	17.8
St. Louis, Mo	12.1	10.4	9.2	8.9	9.0	9.6	14.0	26.4
Kansas City, Mo	12.5	10.4	7.8	8.1	8.2	9.7	16.8	37.6
Omaha, Nebr	12.0	10.7	9.8	9.8	9.5	9.8	10.8	20.8
Baltimore, Md	10.9	9.4	8.5	8.6	8.9	9.3	13.8	22.0
Washington, D. C	11.4	10.0	8.6	8.6	9.0	8.3	12.3	24.6
Richmond, Va	12.6	10.8	9.1	8.9	8.6	9.4	14.3	31.7
Norfolk, Va	11.4	9.6	7.9	7.9	7.9	9.4	15.8	30.7
Charleston, S. C	12.4	11.2	9.6	10.0	10.7	10.8	9.7	22.6
Atlanta, Ga	12.1	11.1	9.9	9.1	9.1	10.3	8.3	24.8
Savannah, Ga	12.1	10.8	8.3	8.6	8.6	10.2	10.7	31.4
Jacksonville, Fla	11.8	10.6	10.6	10.1	10.1	11.1	10.2	14.4
Louisville, Ky	10.5	9.3	8.8	8.4	8.5	9.3	11.4	20.0
Memphis, Tenn	12.6	10.5	9.1	9.0	9.0	9.6	16.7	28.6
Birmingham, Ala	11.1	9.9	9.1	8.9	9.0	10.3	10.8	19.8
Mobile, Ala	10.7	9.3	8.3	8.8	9.0	9.6	13.1	22.4
Little Rock, Ark	10.8	9.4	8.4	8.2	8.1	8.7	13.0	25.0
New Orleans, La	10.2	8.7	7.9	7.7	7.9	8.9	14.7	24.5
Dallas, Tex	11.9	10.1	9.0	8.8	8.7	8.6	15.1	27.7
Houston, Tex	10.2	8.7	6.8	7.2	7.4	8.9	14.7	33.3
Butte, Mont	13.0	9.9	9.7	9.7	9.6	10.1	23.8	26.2
Denver, Colo	11.8	10.3	8.3	8.0	7.8	8.3	12.7	33.9
Salt Lake City, Utah	12.3	10.3	9.5	9.7	9.8	10.7	16.3	22.8
Seattle, Wash	11.4	9.6	9.2	9.6	9.8	10.0	15.8	19.2
Portland, Oreg	10.8	9.4	9.2	9.3	9.6	9.6	13.0	14.8
San Francisco, Calif	10.8	9.4	8.7	9.1	9.1	9.9	13.0	19.4
Los Angeles, Calif	10.1	9.3	9.0	9.0	8.8	9.3	7.9	12.9
Average—51 cities [b]	11.5	9.9	8.8	8.8	8.8	9.4	13.9	23.5

[a] From bulletins of the Bureau of Labor Statistics of the United States Department of Labor on retail prices, as follows: No. 300, May, 1922; No. 315, January, 1923; No. 334, June, 1923; No. 396, October, 1925; and No. 418, October, 1926. The averages for 51 cities and the percentages of decrease were computed by the Federal Trade Commission.

[b] Simple average.

[67] The annual averages for the different cities are those published by the Bureau of Labor Statistics of the Department of Labor. The percentages of decrease were added by the Federal Trade Commission.

The following summary of the above table shows the lowest and highest annual average prices for the 51 cities, with the range between them, and the simple average prices for all the cities combined. The names of the cities having the lowest and highest annual average prices in each year are also given.

Year	Low	High	Range	Average, 51 cities	Name of city	
					Low	High
	Cents per pound	*Cents per pound*	*Cents per pound*	*Cents per pound*		
1920	10.1	13.3	3.2	11.5	Los Angeles	Scranton, Pa.
1921	8.7	11.2	2.5	9.9	New Orleans, Houston	Charleston, S. C.
1922	6.8	10.6	3.8	8.8	do	Jacksonville, Fla.
1923	7.2	10.1	2.9	8.8	do	Do.
1924	7.4	10.7	3.3	8.8	do	Charleston, S. C.
1925	8.1	11.1	3.0	9.4	Cleveland, Ohio, Columbus, Ohio	Jacksonville, Fla.

It will be noted that the range in prices varied from 2.5 cents for 1921 to 3.8 cents for 1922. The lowest annual average retail price was 6.8 cents, for Houston, Tex., in 1922, and the highest 13.3 cents for Scranton, Pa., in 1920. Jacksonville, Fla., had the highest average in three of the six years and Houston, Tex., the lowest in four of the years.[68] Thirteen of the cities, or one-quarter of the total number, had average retail prices above the combined average for the 51 cities in every one of the six years.[69] These cities are scattered over the country, the list being as follows: Portland, Me.; New York City; Scranton, Pa.; Chicago; Springfield, Ill.; St. Louis; Omaha; Charleston, S. C.; Atlanta; Jacksonville, Fla.; Memphis; Butte; and Salt Lake City. For seven of these cities the annual average was at least one-half cent above the general average for all cities in every year but one. These are Chicago, Springfield, Omaha, Charleston, Jacksonville, Butte, and Salt Lake City.

In contrast with the 13 cities listed above, there are 14 for which the yearly average retail price was as low as or below the general average for all cities in every year. To this list may be added three others for which the average was below the general average in every year but one.[70] This list of 17 cities, which constitutes one-third of the entire number represented, is as follows: Manchester, N. H.; Boston; Rochester, N. Y.; Buffalo; Newark, N. J.; Philadelphia; Pittsburgh; Cleveland; Columbus; Cincinnati; Indianapolis; Baltimore; Norfolk; Louisville; Little Rock; New Orleans; and Houston. It will be observed that nine of these cities or more than half, are in the Middle Atlantic and East North Central divisions. Six of the seventeen cities had averages at least one-half cent below the general average for all cities in all but one of the six years, the list being as follows: Manchester, Rochester, Cleveland, Little Rock, New Orleans,[71] and Houston.

A number of cases will be noted in which there is a marked contrast in prices of cities in the same geographic group, e. g., Portland,

[68] In one of these years New Orleans had an equally low price.
[69] With the exception that the 1921 average for Butte, Mont., was the same as the general average for all the cities combined.
[70] And only slightly above the general average in the remaining year.
[71] For New Orleans and Houston the averages were at least one-half cent below the general average in all the years.

on the one hand, and Manchester and Boston, on the other; New York City and Scranton, as contrasted with the other cities representing the Middle Atlantic group; Chicago and Springfield, on the one hand, and the Ohio cities and Indianapolis, on the other; and Charleston, Atlanta, and Jacksonville, as contrasted with Baltimore and Norfolk. The figures for Dallas also are relatively very high, as compared with the other three cities representing the Western South Central group, except in the one year 1925.

The decrease in average prices for individual cities from 1920 to 1921 ranged from 7.9 per cent for Los Angeles to 23.8 per cent for Butte, and the decrease from 1920 to the year of lowest average price from 12.9 per cent for Los Angeles to 37.6 per cent for Kansas City. The maximum decrease was over 30 per cent for 11 widely-scattered cities; it was less than 20 per cent for 12 cities, including the four Pacific coast cities represented, the others being scattered in different parts of the country.

From 1924 to 1925 the average price for the 51 cities combined increased by 0.6 cent, or from 8.8 cents to 9.4 cents. The increase was very general, although not marked in many cases. All but six of the 51 cities showed more or less increase. Portland, Oreg., had the same average price in the two years, and Indianapolis, Detroit, Milwaukee, and Dallas had a very slightly lower price in 1925 than in the preceding year. Washington only showed a considerable decline, the average price falling from 9 to 8.3 cents. It will be remembered that Washington was the only one of 54 cities for which there was a substantial decline in wholesale prices in 1925, as shown in Table 36, p. 205.

For 13 cities, or one-quarter of the entire number, the increase in the 1925 price was less than one-half cent,[72] and all but four of these cities are in the northern States east of the Mississippi River.

The increase in the 1925 average over the price for 1924 was at least 1 cent in 11 cities,[73] all but four of which are in the southern States, and only Scranton and Peoria in northern States east of the Mississippi. For four cities—Kansas City, Norfolk, Savannah, and Houston, the increase was at least 1.5 cents.

Margins between wholesale and retail prices.—No detailed study of margins between wholesale and retail prices is presented here. The two sets of prices were obtained through different agencies, and there is no assurance that they are strictly comparable for individual cities.[74] An examination of the diagram already presented on page 224, in which curves of the wholesale and retail prices are given by months for the six-year period 1920–1925, shows a fairly constant margin varying only from about 1¼ to 1¾ cents. While the two curves are not based on statistics which make exact comparisons possible, they probably give a fairly accurate indication of margins for a considerable group of cities.[75]

[72] The list is as follows: Manchester, Fall River, Providence, New Haven, New York, Cleveland, Columbus, Chicago, Springfield, Omaha, Baltimore, Charleston, and Seattle.
[73] The list is as follows: Scranton, Peoria, Minneapolis, Kansas City, Norfolk, Atlanta, Savannah, Jacksonville, Birmingham, New Orleans, and Houston.
[74] See section 2 of this chapter for a statement of the character and methods of compiling the data on wholesale prices.
[75] The retail price curve is based on figures for 51 cities, while the wholesale price curve is based on statistics for only nine cities. See discussion, page 223, note 63.

CHAPTER VII

BAKERY CONSOLIDATIONS

Section 1. Early consolidation.

The consolidation movement in the baking industry may be said to have begun about 20 years ago with the organization of American Bakery Co., of St. Louis, in 1907. This organization combined in one corporation seven of the leading baking establishments of that city. Two years later, in 1909, Consumers Bread Co. was organized, consolidating six bakeries in Kansas City, Mo., and one in Kansas City, Kans. The following year saw the organization of Shults Bread Co., a merger of six baking companies in Brooklyn, N. Y., three in New York City, two in Hoboken, N. J., and one in Mount Vernon, N. Y.

These three consolidations, it will be noted, were distinctly local in character, the constituent members being either actual or potential competitors with one another. While this was also true of certain of the later consolidations, notably Cushman's Sons (Inc.), which absorbed five plants in New York City, one in Rockaway, and one in White Plains, in 1914, the consolidation movement after 1910 may be said to have been characterized rather by the combination of plants located in different cities than by the merging of concerns operating in a restricted area.

In 1911 the General Baking Co. was organized to unite under one management 21 bakeries located in 10 different States and the District of Columbia and 17 different cities.[1] This is one of the largest wholesale baking companies, at the present time, operating 33 bakeries in 25 cities and serving over 2,500 towns in 20 States.[2]

This combination was quickly followed by the organization of Ward Baking Co. (of New York) in the next year. This company merged Ward-Corby Co., of New Jersey, operating two plants in Chicago and one each in Boston and Providence; Ward Baking Co., of Pittsburgh, which operated one plant in that city; Ohio Baking Co., operating a plant in Cleveland; and Ward Bread Co. of New York, operating two plants in New York City. The Ward Co. is to-day one of the largest of the strictly operating baking companies, having 18 baking plants in 10 States and serving above 2,500 towns.[3]

Three years later, in 1915, the New England Bakery Co. consolidated six baking companies located in different cities in New England. In 1917 eight companies operating in different cities in New England were combined in the Massachusetts Baking Co.

In 1916 a company was incorporated as the Flour State Baking Co. to take over Purity Baking Co., operating one plant in St. Paul,

[1] This distribution was as follows: 3 in Buffalo, 2 in Rochester, and 1 in New York City, N. Y.; 1 in Jersey City and 1 in Newark, N. J.; 1 in Providence, R. I.; 1 in Pittsburgh, Pa.; 1 in Wheeling and 1 in Wellsburg, W. Va.; 1 in Detroit, Mich.; 1 in Washington, D. C.; 1 in St. Louis, Mo.; 1 in Toledo, 1 in Canton, and 1 in Cleveland, Ohio; 1 in New Orleans, La.; and 2 in Boston, Mass.

[2] This does not include the baking plants of the Smith Great Western Corporation, which, together with the General Baking Co., is controlled through stock ownership by the General Baking Corporation. For the General Baking Co.'s present ownership and affiliations see pp. 243 and 244.

[3] For Ward Baking Co.'s present ownership and affiliations see pp. 235 and 236.

Minn., and Sanitary Bread Co., operating one plant in St. Paul and one in Minneapolis. Subsequently, in 1921, it took over Purity Bread Co. of Duluth and in 1923 absorbed Wernig Baking Co. of Minneapolis. In 1923 the name of the company was changed to Purity Baking Co.

The Tristate Baking Co. was incorporated June 4, 1919, to take over the following bread companies: Greissell Bread Co., Flint, Mich., Greissell-Gitzen Co., Detroit; Summit Baking Co., Akron; and the Siek Baking Co., Toledo. Subsequently, in 1923, the Tristate took over Jackson Baking Co., Jackson, Mich., and Gartner Baking Co., Battle Creek, Mich.

Another consolidation of some importance occurred in 1921 when Freihofer Baking Co., operating two plants in Philadelphia, Pa., and one in Camden, N. J., acquired a controlling interest in the capital stock of Schulze Baking Co. The Schulze Co. was engaged in the manufacture and sale of bread and cake in Chicago, Grand Rapids, Kansas City, Cincinnati, Omaha, Des Moines, and Detroit, and had acquired these plants in earlier years.

In 1923 Standard Bakeries Corporation was organized as a consolidation of eight plants located in Akron, Ohio; Omaha, Nebr.; Denver, Colo.; Pueblo (two), Colo.; Los Angeles and Long Beach, Calif.; and Hammond, Ind.

Southern Baking Co., organized in 1924, absorbed before the close of that year Carolina Baking Co., operating at Charlotte, Greensboro, and Gastonia, N. C.; F. O. Stone Baking Co., operating a cake plant at Atlanta, Ga.; J. A. & P. F. Cureton, at Greenville, S. C.; Schafer Bakery (Inc.), of Savannah, Ga.; and Dorsey Baking Co., of Jacksonville, Fla., each operating one plant. In May, 1925, it acquired Seybold Baking Co., operating one bakery at Miami, Fla.

Besides the foregoing combinations there have been consolidations of companies which, though separate corporate entities, were either affiliated with one another or else were controlled by substantially the same interests.

Campbell Baking Co., was organized in 1920 and combined the following companies: Campbell Baking Co. of New Jersey, with plants in Kansas City and St. Joseph; Campbell Baking Co. of Iowa, with plants in Sioux City and Waterloo; Campbell Bread Co. of New Jersey, with plants in Wichita and Des Moines; Campbell Baking Co. of Kansas, with plants in Topeka and Kansas City; Campbell Baking Co. of Oklahoma, with plants in Oklahoma City and Tulsa; Campbell Baking Co. of Texas, with plants in Dallas; Campbell Baking Co. (Inc.) of Louisiana, with a plant in Shreveport; Campbell System (Inc.) of Delaware.

In 1921 Nafziger Baking Co. of Kansas City, Nafziger Baking Co. of St. Louis, Nafziger Baking Co. of Springfield, and Nafziger Baking Co. of Sedalia were consolidated. Subsequently plants at Burlington, Iowa, Decatur, Ill., and Muskogee, Okla., were taken over, and a plant at Wichita Falls, Tex., was "more or less taken over," according to the statement of the attorneys for the company.

In 1923 Consumers Bread Co., Kansas City; Smith Baking Co., Wichita, Kans.; Smith Baking Co., Oklahoma City, Okla.; Tulsa Bread Co., Tulsa, Okla.; and Enid Bread Co., Enid, Okla., all controlled by Bryce B. Smith, were merged into Smith Great Western Baking Corporation.

The Gordon Co., incorporated in 1920, merged Gordon Baking Co., Chicago; Gordon-Pagel Co., Detroit; and Cable-Draper Baking Co., Detroit, each operating one plant and all controlled by a single interest. In 1924 the name of the consolidation was changed to United States Baking Corporation.

The first reconsolidation of bakeries, at least on any large scale, appears to have occurred with the formation of United Bakeries Corporation in September, 1921. The organization of this corporation marked the entry of the holding company in the baking industry as an important factor in consolidation. The new company acquired the capital stock of Shults Bread Co., which was, as previously noted, a consolidation of 12 bakeries, and the capital stock of Campbell Baking Co., a consolidation of 8 companies operating 12 bakeries. In addition to these companies which formed the backbone of the new company, the latter concern also acquired at its organization or soon thereafter control of the following baking companies: Ward & Ward (Inc.), Ward Bros. Co. (Inc.), Memphis Baking Co. (Inc.), the Crescent Baking Co. (Mississippi), the Crescent Baking Co. (New York), Stroehmann Baking Co., and Atlas Bakeries (Inc.).

The great baking consolidations, as they appear to-day, four in number, began to take form in 1924, although in the case of one, the Ward Baking Corporation, practically its present form was developed at the close of 1923. These four are, in order of their formation: The Ward Baking Corporation, the Continental Baking Corporation, Purity Bakeries Corporation, and the General Baking Corporation. All of these except the Purity have been closely associated, and they are therefore described at greater length in the following sections because of their close association. A briefer description of the Purity Bakeries Corporation is given at this point.

Section 2. Purity Bakeries Corporation.

On December 1, 1924, the Purity Bakeries Corporation was organized under the laws of the State of Delaware for the purpose of combining through subsidiary companies the operations of baking plants. It is one of the four largest baking combinations in the United States, operating through its subsidiaries 33 bakeries in 24 cities located in 12 States.

The charter of the Purity Bakeries Corporation authorizes it to issue 150,000 shares of 7 per cent cumulative preferred stock, par value $100; 400,000 shares of class A stock, par value $25; and 500,000 shares of class B stock, without par value.

At the time of its organization, or soon thereafter, Purity Bakeries Corporation acquired the capital stock of Purity Baking Co., and Tristate Baking Co. (Inc.), which are described below, and also of Williams Baking Co. Purity Baking Co. had outstanding on September 13, 1926, 10,000 shares of preferred capital stock, par value $100, all owned by Purity Bakeries Corporation, and 52,500 shares of common stock, par value $25, of which 52,490 shares were owned by Purity Bakeries Corporation. Purity Baking Co. was, at the time of its acquisition, and still is, operating two bakeries at St. Paul and one each at Minneapolis and Duluth, Minn. It was also at that time, and is now, operating five plants through subsidiary companies, as follows: Wernig Baking Co., with one plant at Minneapolis, Minn.; Banner Grocers Baking Co., with three plants at Cincinnati, Columbus, and Hamilton, Ohio; and Grocers Baking Co.—now Purity Bakeries of Indiana (Inc.), with one plant at Indianapolis.

On September 13, 1926, Purity Baking Co. owned all outstanding stock of Wernig Baking Co. and Purity Bakeries of Indiana (Inc.), and 8,427½ shares of preferred of Banner Grocers Baking Co. out of 9,500 shares outstanding and 5,806 shares of common out of 6,200 shares outstanding.

Tristate Baking Co. (Inc.) had on September 13, 1926, 9,323 shares of preferred stock and 6,300 shares of common, all owned by Purity Bakeries Corporation. At the time of its acquisition by Purity Bakeries Corporation the company was operating six plants at Flint, Battle Creek, Jackson, and Detroit, Mich., and Akron and Toledo, Ohio. Since then the plants at Battle Creek and Jackson have been disposed of and an additional plant has been acquired by the Tristate at Detroit.

Williams Baking Co., now Purity Bakeries Corporation (New Jersey), had outstanding, September 13, 1926, 700 shares, all owned by Purity Bakeries Corporation. At the time of the acquisition of its stock, early in 1925, it operated and has since continued to operate a bakery at Newark, N. J.

On April 5, 1925, Purity Bakeries Corporation had acquired all the outstanding stock of Nafziger Baking Co., consisting of 10,000 shares. The company was at the time of acquisition and is now operating plants at the following points: Decatur, Ill.; Burlington, Iowa; Kansas City, St. Louis, Sedalia, and Springfield (two plants), Mo.; Muskogee, Okla.; and Wichita Falls, Tex.

In June, 1925, practically the whole of the stock of Winkelman Baking Co., operating one bakery at Memphis, Tenn., was acquired by Purity Bakeries Corporation. On September 13, 1926, the corporation owned 1,896 shares of preferred stock out of 1,912 shares outstanding, and 1,948 shares of common out of 2,000 shares outstanding.

There was also acquired in June, 1925, by Purity Bakeries Corporation a controlling interest in Grennan Bakeries (Inc.), said to be the largest exclusively cake manufacturing company in the United States. This company operates bakeries at the following points: Chicago, Detroit, Minneapolis, St. Louis, Cleveland, and Pittsburgh. It also operates a second bakery at Chicago through Atlas Baking Co. (formerly Westside Baking Co.) all of whose stock it owns; and a bakery at Memphis through Grennan Baking Co. of Memphis, all of whose stock it owns.

In October, 1925, Purity Bakeries Corporation acquired all the controlling stock of Allen Baking Co., which operated a cake bakery at Louisville, Ky. In April, 1926, its assets were transferred to Grennan Bakeries (Inc.), and its charter surrendered. Since then its plant has been disposed of by Grennans and operations stopped.

Purity Bakeries Service Corporation was incorporated July 1, 1926, under the laws of the State of Illinois, with an authorized capital stock of 500 shares, par value $100. It has outstanding 500 shares, all of which are owned by Purity Bakeries Corporation. This subsidiary corporation acts as a clearing house for all of the Purity companies in the purchase of ingredients and equipment and in various other services.

Table 45 below shows the locations and operating companies of the various bakeries of Purity Bakeries Corporation.

Upward of 45,000 retail grocery stores over about 1,000 routes are covered by some 1,200 salesmen for the Purity companies each day. The total number of employees is approximately 5,000. The total sales of bakeries now owned and operated for the year 1925 amounted to about $24,000,000.

TABLE 45.—*Bakeries of Purity Bakeries Corporation, by States and cities, with name of operating company, 1926*

State and city	Operating company
Illinois:	
Chicago	Grennan Bakeries (Inc.).[1 2]
Chicago	Atlas Baking Co.[2 3]
Decatur	Nafziger Baking Co.[1]
Indiana: Indianapolis	Purity Bakeries of Indiana (Inc.)[4] (formerly Grocers' Baking Co.).
Iowa: Burlington	Nafziger Baking Co.[1]
Michigan:	
Detroit	Grennan Bakeries (Inc.).[1 2]
Detroit	Tristate Baking Co. (Inc.).[1]
Detroit	Do.
Flint	Do.
Minnesota:	
Duluth	Purity Baking Co.[1 5]
Minneapolis	Do.
Minneapolis	Wernig Baking Co.[4]
Minneapolis	Grennan Bakeries (Inc.).[1 2]
St. Paul	Purity Baking Co.[1]
St. Paul	Do.[1]
Missouri:	
Kansas City	Nafziger Baking Co.[1]
St. Louis	Do.
St. Louis	Grennan Bakeries (Inc.).[1 2 5]
Sedalia	Nafziger Baking Co.[1]
Springfield	Do.[5]
Springfield	Do.[5]
New Jersey: Newark	Purity Bakeries Corporation (N. J.)[1] (formerly Williams Baking Co.)
Ohio:	
Akron	Tristate Baking Co. (Inc.)[1]
Cincinnati	Banner Grocers Baking Co.[4]
Cleveland	Grennan Bakeries (Inc.).[1 2]
Columbus	Banner Grocers Baking Co.[4]
Hamilton	Do.
Toledo	Tristate Baking Co. (Inc.).[1]
Oklahoma: Muskogee	Nafziger Baking Co.[1]
Pennsylvania: Pittsburgh	Grennan Bakeries (Inc.).[1 2 5]
Tennessee:	
Memphis	Grennan Baking Co. of Memphis.[2 3 5]
Memphis	Winkelman Baking Co.[1]
Texas: Wichita Falls	Nafziger Baking Co.[1 2]

[1] Subsidiary of Purity Bakeries Corporation.
[2] Cake only.
[3] Subsidiary of Grennan Bakeries (Inc.), which is a subsidiary of Purity Bakeries Corporation.
[4] Subsidiary of Purity Baking Co., which is a subsidiary of Purity Bakeries Corporation.
[5] Plant operated under a lease.

Section 3. The Ward Baking Corporation.

The Ward Baking Corporation was organized December 27, 1923, under the laws of the State of Maryland as a holding company for the stock of baking companies and particularly for that of Ward Baking Co. (see pp. 233-236). In the latter part of 1923 a contest for the control of the Ward Baking Co. arose between George S. Ward, then its president, and W. B. Ward, his nephew and then chairman of the board of directors of the United Bakeries Corporation. An offer was made to the board of directors of the Ward Baking Co. by W. B. Ward for the purchase of the capital stock of the company, the board accepting the offer by resolution of December 7, 1923. Mr. Ward's offer follows:

I beg to submit the following offer:

I offer $100 a share for the preferred stock and $200 a share for the common stock of your company; and for each share of preferred stock deposited on or before December 31, 1923, I offer to pay an additional sum equal to the proportionate share of 7 per cent per annum for the time between the last quarterly dividend date preceding the payment and the date of the payment of the purchase price; and for all shares of common stock as hereinafter set forth, deposited on or before December 31, 1923, I offer to pay an additional $1 a share. This offer is for all of your outstanding stock or for any part thereof, provided it be the amount indicated in paragraph designated (2) below.

This offer is subject to the following conditions:

(1) Persons owning both preferred and common stock are to turn over all of both classes of stock owned by them.

(2) I am to receive from you at least 51 per cent of the voting stock of your company, two-thirds of said 51 per cent to be represented by common stock.

(3) This offer is made on the basis of statements and reports furnished me with your letter of November 19, 1923, and the usual examination is to be made on my behalf and such statements and reports are to be confirmed.

(4) The purchase is to be made as of December 31, 1923, on the basis of statement of October 20, 1923, with the understanding that dividend rate of 7 per cent per annum on preferred stock and 8 per cent per annum on common stock of your company will not be increased pending consummation of this transaction.

(5) Payment in full is to be made on or before July 1, 1924, with the understanding that it is my expectation to complete payment on or before May 1, 1924.

(6) All stock is to be deposited with a bank or trust company satisfactory to you, for which a proper receipt will be given and interest at the rate of 6 per cent per annum will be paid on the unpaid purchase price to owners of common stock so deposited from April 1, 1924, to the date of the payment of the purchase price. It is understood that the stockholders of record shall receive all dividends to which they are entitled up to the date of the payment to them of the purchase price, but in no event shall interest be paid them for the same period for which they receive dividends.

(7) When I or my assignee am the owner or in possession of 51 per cent of the voting stock of your company you are to deliver the resignations of your directors and officers, to take effect upon acceptance.

(8) In order that I may know within a reasonable time to what extent I am obligated, this offer is limited to stock deposited on or before December 31, 1923, reserving the privilege, however, to accept stock on the terms herein set forth which may be deposited after that date.

(9) Your company is to give any necessary consent to enable me to form a corporation under the name Ward Baking Corporation, to be formed under the laws of the State of Delaware or Maryland, your consent to be limited to the State of Delaware or Maryland, and such consent may expressly reserve from the new company the right to use this name in any other State. I undertake that the new company, at the first meeting of its board of directors, will pass a resolution to the effect that in case I or my assignee am unable to perform my obligations under this offer the new company will discontinue the use of the aforesaid or similar name and surrender all its rights to the name.

Upon receiving your advice of the acceptance of this offer, I, or a new company to be formed by me, will deposit in escrow in a bank or trust company satisfactory to you $1,000,000 in cash as security for the performance of my obligations under this offer, and in case I or said corporation shall fail to fully perform my obligations hereunder, within the time agreed upon as aforesaid, said deposited stock shall be returned to the several depositors immediately after July 1, 1924, and said sum of $1,000,000 shall be paid over and distributed as liquidated damages to and among the depositors of stock in proportion to the number of shares deposited by them, respectively. Such liquidated damages shall be distributed pro rata as between depositors of preferred and common stock on the basis of $100 per share to depositors of preferred stock and $200 per share to depositors of common stock. Provided your acceptance is received not later than December 15, 1923, I shall cause this deposit to be made on or before December 18, 1923. In case your acceptance is not received until after December 15, 1923, but on or before December 24, 1923, I shall cause such deposit to be made within three days after receipt of your acceptance.

For your information, please let me say that it is my present plan to form a new company, to purchase the stock of your company, and opportunity will be presented to your stockholders at a later date to exchange some or all of their holdings for securities of this new company. You will understand, of course, that this will not affect my obligation to pay the full amount in cash set forth in this offer to those stockholders who desire it.

Your written acceptance of this offer when received by me shall constitute a binding contract, it being understood that your personal obligation ceases when 51 per cent of the stock has been deposited as herein provided. If this offer is not accepted on or before December 24, 1923, it shall be deemed withdrawn.

On December 18, 1923, Mr. Ward deposited $1,000,000 cash with the National Bank of Commerce as a guaranty that the contract would be performed. By December 31, 1923, 85 per cent of the Ward Baking Co. stock had been deposited with the National Bank of Commerce in acceptance of Mr. Ward's offer. On December 27, 1923, the Ward Baking Corporation was incorporated with an authorized capital stock of 500,000 shares of 7 per cent preferred stock, $100 par value, and 500,000 shares of Class A common and 500,000 shares of class B common, both classes without par value. Mr. Ward offered his contract with the Ward Baking Co. to the Ward Baking Corporation for a consideration of 500,000 shares of class B common in the new company. This offer was accepted and the contract was assigned to the corporation, which in turn issued to Mr. Ward the entire block of its authorized class B stock.

On January 1, 1924, the Ward Baking Corporation offered stockholders of the Ward Baking Co. stock of the new company in exchange for their stock as follows: One share of preferred and one share class B common in the Ward Baking Corporation for one share of preferred in Ward Baking Co.; two shares of preferred and one share of class A common in the corporation for one share of common in the company. To those whose stock had been deposited in acceptance of Mr. Ward's cash offer cash or stock might be received in payment for the stock of the old company. Where cash was elected it was secured by the corporation selling its preferred stock with a bonus of class B common. To provide the corporation with class B common to be used in exchange for preferred stock in Ward Baking Co., or as a bonus in the sale of the Ward Baking Corporation preferred, Mr. Ward transferred back to the corporation's treasury a portion of the class B issue.

On December 27, 1924, the corporation had acquired 86,882 shares of Ward Baking Co. preferred out of 88,630 shares outstanding and 112,167 shares of common out of 114,371 shares outstanding. Out of 312,714 shares of the preferred stock of the Ward Baking Corporation outstanding on that date 205,265 shares had been issued in exchange for Ward Baking Co. stock and 107,449 shares had been sold for cash. Of the 84,061 shares of class A common outstanding, all had been exchanged for Ward Baking Co. stock.

In connection with the terms on which the Ward Baking Corporation stock was exchanged for stock of Ward Baking Co. and the amount so exchanged, as shown above, attention is called to the nature of the consideration which Ward Baking Co. received for its outstanding stock, as shown on the following page.

The preferred stock of the Ward Baking Corporation has preference both as to assets and as to dividends. It may be redeemed on any dividend date upon 30 days' notice at $110 per share and accrued

dividends, and in case of liquidation is entitled to par value and accured dividends. Holders of preferred stock have the right of vote. Class A common may receive dividends at the rate of $8 per annum, payable quarterly, after the payment of all accumulated dividends on preferred and before the payment of any dividends on class B common, and shall after receiving such dividends share alike with class B common in any further dividends declared in the same dividend period. In case of liquidation, class A common is entitled to $100 per share after preferred is paid and before class B. Thereafter class A and class B share alike in any further distribution of assets. Class A common has voting rights. Class B common has no voting rights until there are earnings available for dividends on class B for eight consecutive quarterly dividend periods, when it shall have thereafter the same voting rights as preferred and class A common.

On December 31, 1925, there were outstanding 86,093 shares of class A common, 500,000 shares of class B common, and 318,415 shares of preferred.

Quarterly dividends of 1¾ per cent have been paid on preferred since April 1, 1924, and the initial quarterly dividend on class A of $2 per share was paid on July 1, 1926. No dividends have been paid on class B common.

Other companies whose stock is held by the Ward Baking Corporation are as follows: Research Products Co. (yeast manufacturing, now inactive); Ward Baking Co. (Ltd.) (yeast manufacturing, now inactive); Ward Baking Co. of Virginia (selling); Bronx Equipment Co. (auto repairing); British-Arcady Co. (Ltd.) (yeast manufacturing).

WARD BAKING CO.

Ward Baking Co. was incorporated June 21, 1912, under the laws of the State of New York. Its authorized capital is 150,000 shares of 7 per cent cumulative preferred and 150,000 shares of common, both classes of $100 par value. Of this there were outstanding December 21, 1925, 88,630 shares preferred and 114,371 common, over 99 per cent of which was held by the Ward Baking Corporation.

Dividends of 7 per cent per annum have been paid regularly on preferred. On common there have been paid cash dividends, including both regular and extra dividends, as follows: 1920, 3 per cent; 1921, 6½ per cent; 1922, 10 per cent; 1923, 13 per cent; 1924, 14.05 per cent; and 1925, 14.20 per cent. In addition there have been paid stock dividends on common as follows: July 1, 1920, 20 per cent; July 1, 1922, 20 per cent; January 2, 1923, 20 per cent.

In view of the foregoing dividends the nature of the original investment may be noted. Figures published by Ward Baking Co. show that for the 88,630 shares of preferred stock issued since its incorporation to December 21, 1925, it has received, cash, $1,471,200; property of a book value of $3,372,892.44; and "patents and good will" of a book value of $4,018,907.56. For its total issue of preferred stock of a par value of $8,863,000, the company received 17 per cent in cash, 38 per cent in physical property, and 45 per cent in intangible assets. For the 114,371 shares of common stock issued since its incorporation to December 21, 1925, practically no tangible assets were received by the company. Of this total, 48,094 shares

were issued as stock dividends; the balance of 66,277 shares were exchanged for $20,800 in cash and $6,606,900 in "patents and good will." Less than two-tenths of 1 per cent of the total capital common stock of a par value of $11,437,100 is represented by an investment of physical assets.

Following the incorporation of Ward Baking Co., in 1912, it took over the following companies: (1) Ward-Corby Co., of New Jersey, operating a bakery each at Boston and Providence, and two bakeries at Chicago; (2) Ward Baking Co., of Pittsburgh (successors to Ward-Mackey Co.), with one bakery; (3) the Ohio Baking Co., of Cleveland, with one bakery; and (4) the Ward Bread Co., of New York, with a bakery each at New York City and Brooklyn. Later in the same year it acquired Mangels & Schmidt, operating a bakery at Newark, N. J. By 1916 the company was operating 14 bakeries, and by 1921, 15. In 1926 its active plants numbered 18 as appears in the table below.

Approximately, 1,800 Ward's salesmen, traveling over 1,600 routes, call on about 76,000 retail grocers each day with the company's products. The company's total bakery sales in 1925 were, roundly, $42,000,000, of which nearly $24,000,000 was for bread and the remainder chiefly for cake. Its bread production for 1925, in pounds, was about 306,000,000.

TABLE 46.—*Bakeries of the Ward Baking Co.*[1] *by States and cities, with bakery name, 1926*

	Bakery name		Bakery name
Illinois:		New York:	
Chicago	Ward Baking Co.	Brooklyn	Ward Baking Co.
Chicago	Do.	New York	Do.
Chicago	Do.	Syracuse	Do.
Chicago	Do.	Ohio:	Cahill Bros.
Indiana: South Bend	Busse Baking Co.	Cleveland	Ward Baking Co.
Maryland: Baltimore	Ward Baking Co.	Columbus	Brenneman Bakery.
Massachusetts: Cambridge	Do.	Youngstown	Ward Baking Co.
Michigan: Detroit	Do.	Pennsylvania:	
New Jersey: Newark	Do.	Pittsburgh	Do.
		Pittsburgh	Baur Bros. Bakery.
		Rhode Island: Providence	Ward Baking Co.

[1] The Ward Baking Co., subsidiary of the Ward Baking Corporation, is the operating company for all the Ward bakeries.

Ward Baking Co. was founded by R. B. Ward. His father and grandfather before him had been bakers in Pennsylvania. He had organized or gained control of the several companies which were taken over by the new company at its organization. In 1915 his brother, George S. Ward, who together with the latter's sons, Walter S. and Ralph B., had been associated with him, succeeded him as president. W. B. Ward, son of R. B. Ward, and for a time secretary of the company under the presidency of his father, began at this time independent operations in Buffalo but remained a director of Ward Baking Co. for some three years.[4] In 1923 he secured control of Ward Baking Co., and then was instrumental in organizing the Ward Baking Corporation to hold the stock of Ward Baking Co.

[4] During this period and up to the organization of the Ward Baking Corporation by W. B. Ward in 1923, he, with his brother, H. B. Ward, was developing Ward & Ward (Inc.), of Buffalo, and Ward Bros, Co. (Inc.) of Rochester, N. Y., which became the nucleus of United Bakeries Corporation.

Section 4. The General Baking Corporation.

The General Baking Corporation was organized October 3, 1925, under the laws of the State of Maryland, as a holding company for the General Baking Co. and other baking companies, on the basis of a plan worked out by Paul H. Helms, secretary-treasurer of the Ward Baking Corporation. This plan was outlined by Mr. Helms to W. B. Ward about September 1, 1925, and it was agreed that if Mr. Helms could purchase the common stock of the General Baking Co. at a price not to exceed $225 per share and the terms were so drawn as to give Mr. Helms three months to raise the funds and to make a counter proposition to the stockholders of the General Baking Co. to exchange their stock, that the purchase could be financed. Mr. Ward agreed to deposit whatever money was necessary to bind the bargain, which was to be returned to him on Mr. Helm's completion of the financing. Mr. Helms agreed that he would form the General Baking Corporation, which would immediately take over his contract and that Mr. Ward should receive some of the B stock as compensation for his help and services.

On September 29, 1925, the following offer was made by W. B. Ward, who had prior thereto resigned his position as president of he Ward Baking Corporation, to William Deininger, president, the General Baking Co.:

SEPTEMBER 29, 1925.

MR. WILLIAM DEININGER,
New York City, N. Y.

DEAR MR. DEININGER: On condition that my understanding is correct, that General Baking Co. has 429,719 shares of common stock and 90,775 shares of preferred stock issued and outstanding, both classes with full voting power, I beg to submit the following offer:

I offer $225 a share for the outstanding common stock of said company, plus an additional sum equal to the proportionate share of $6 per share per annum for the time between the last quarterly dividend date preceding the payment and the date of the payment of the purchase price. This offer is for all of the outstanding common stock or for any part thereof, provided it be the amount indicated in paragraph designated (1) below.

This offer is subject to the following conditions:

(1) I am to receive at least 51 per cent of the outstanding voting stock of said company, all of which shall be common stock.

(2) The dividend rate of $8 per share per annum on the preferred stock and $6 per share per annum on the common stock of said company will not be increased pending the consummation of this transaction.

(3) Payment in full is to be made on or before December 31, 1925, with the understanding that it is my expectation to complete payment on or before December 1, 1925; all stock is to be deposited with the Guaranty Trust Co., Fifth Avenue and Forty-fourth Street branch, New York City, for which a proper receipt will be given.

(4) When I or my assignee am the owner or in possession of said 51 per cent of the voting stock of said company, all of which shall be common stock, you are to deliver the resignations of its directors and officers, to take effect upon acceptance.

(5) In order that I may know within a reasonable time to what extent I may be obligated, this offer is limited to stock deposited on or before October 10, 1925, or such later date as I may hereafter notify said Guaranty Trust Co.

Upon receiving your advice of the acceptance of this offer, I will deposit in escrow in the Guaranty Trust Co., Fifth Avenue and Forty-fourth Street branch, New York City, $2,000,000 in cash as security for the performance of my obligations under this offer, and in case I or my assign shall fail fully to perform all obligations hereunder within the time agreed upon as aforesaid, said deposited stock shall be returned to the several depositors immediately after December 31, 1925, and said sum of $2,000,000 shall be paid over and distributed as liquidated damages, in full payment of all obligations hereunder, to and among the depositors of stock in proportion to the number of shares deposited by them, respectively. I shall make this deposit within 24 hours after the receipt of your acceptance.

For your information, please let me say that it is my present plan to form a new company to acquire the stock of said company, and an opportunity will be presented to its stockholders at a later date to exchange some or all of their holdings for securities of this new company. You will understand, of course, that this will not affect the obligation to pay the full amount in cash set forth in this offer to those stockholders who desire it.

Your written acceptance of this offer when received by me shall constitute a binding contract, it being understood that your personal obligation ceases when said 51 per cent of the voting stock of said company, all of which shall be common stock has been deposited as herein provided. If this offer is not accepted on or before October 1, 1925, it shall be deemed withdrawn.

Very truly yours,

W. B. WARD.

On October 1, 1925, Mr. Deininger wrote to the stockholders of the General Baking Co. as follows:

342 MADISON AVENUE,
New York City, October 1, 1925.

To the holders of the common stock of the General Baking Co.:

An offer has been received from Mr. W. B. Ward to purchase a controlling interest in the common stock of General Baking Co. and to pay for such common stock $225, a share and accrued dividends in cash. This offer has been given careful consideration by the officers and directors of the company and by certain stockholders who were immediately accessible. They believe that the terms of the offer are fair and reasonable and holders of more than a majority of the stock of the company, including the undersigned (president of said company) and all of the other directors, have agreed to sell their stock to Mr. Ward on those terms.

You will observe from Mr. Ward's offer, copy of which is attached to the deposit agreement inclosed herewith, that his offer is limited to those who deposit their stock on or before October 10, 1925, and it will, therefore, be necessary for you to act promptly in case you desire to join in the acceptance of the offer. In such case your stock must be deposited with the Guaranty Trust Co., Fifth Avenue office, Fifth Avenue and Forty-fourth Street, New York City, on or before October 10, 1925, and your stock certificates must be duly indorsed in blank, your signature guaranteed by a bank or a member of the New York Stock Exchange, and the necessary transfer stamps affixed. If you find it inconvenient to have your signature guaranteed, you may acknowledge your indorsement before a notary public, and the necessary transfer stamps may be omitted but the amount thereof will be deducted by the trust company. On receipt of your stock Guaranty Trust Co. will issue and mail you a negotiable certificate of deposit therefor.

In case your stock or any part of it is held as collateral, you should take this letter to the holder of the collateral and arrange with him as to deposit of your stock, if it is your desire to make such deposit. In such case, the certificate of deposit of Guaranty Trust Co. will undoubtedly be acceptable in place of the stock now on deposit as collateral.

There is inclosed copy of agreement under which stock is being deposited.

Very truly yours,

WM. DEININGER.

On October 1, 1925, an agreement was executed by Mr. Ward and the Guaranty Trust Co., New York City, under which Mr. Ward authorized the Guaranty Trust Co. to receive the common stock of the General Baking Co. from the stockholders and pay them in exchange $225 per share. Two million dollars was deposited by Mr. Ward with the Guaranty Trust Co. as a guaranty of his offer to purchase the common stock of the General Baking Co. The General Baking Co. had outstanding 90,775 shares of preferred and 429,719 shares of common stock, all of which were entitled to vote. Mr. Ward's offer was made only to holders of the common stock, and to obtain voting control it was necessary that about 51 per cent or 265,452 shares of the total amount of stock outstanding should be deposited. By the close of October 8 shares in excess of this amount had been deposited.

The charter of the General Baking Corporation authorized a capital issue of 5,000,000 shares of class A stock and 5,000,000 shares of class B stock, both classes of no par value. Under the terms of a consent decree (see pp.272–273), entered April 3, 1926, in the District Court of the United States for the District of Maryland, the General Baking Corporation agreed to reduce its authorized class A stock to 2,000,000 shares. Pending this reduction the 3,000,0000 shares or any part thereof are not to be issued.

It is provided by the charter of the General Baking Corporation that class A stock shall be entitled to a noncumulative dividend at the rate of $6 per annum, to be paid quarterly. After the payment of this dividend class A and class B shall participate ratably share for share in any further distribution in a given dividend period to the extent of $2 per share per annum. After such participation any further distribution of dividends in that period shall go to class B. In case of dissolution class A is entitled to $100 per share, and no more. Class B has exclusive voting power, one vote for each share.

The first meeting of the board of directors of the General Baking Corporation was held at No. 2 Rector Street, New York City, on October 3, 1925. The board at this meeting consisted of three "corporation dummies," connected with the Corporation Trust Co., of New York City, which was engaged to handle the incorporation.

A written proposal from Mr. Ward was presented at this meeting to the board offering to assign to the new corporation a contract based on the offer contained in the above letter dated September 29, 1925, signed by W. B. Ward and addressed to William Deininger, together with the acceptance of this offer. It was determined that the contract and acceptance thereof was of reasonable value of the consideration demanded for the same and the following resolution was adopted:

Whereas Wm. B. Ward has offered to sell, transfer, and set over to this corporation a certain contract and all his right, title, and interest in and to the same as the same appears from the copy of said contract presented to this meeting, and which is to be annexed to the minutes of this meeting; and

Whereas in the judgment of this board of directors said contract and the right and interest of W. B. Ward in and to the same are reasonably worth the consideration demanded; therefore, that the same are necessary for the use and lawful purpose of this corporation and that it is deemed to be for the best interests of this corporation ,to accept said offer as set forth in said proposal, which proposal is to be annexed to the minutes of this meeting: Now, therefore, it is

Resolved, That in the opinion of the board of directors of this corporation, the aforesaid contract is of the actual value of not less than $400, and that said offer as set forth in said proposal be and it hereby is approved and accepted, and that in accordance with the terms thereof this corporation shall, as full payment for said contract and the rights and interests of W. B. Ward in and to the same, issue and deliver 5,000,000 shares of the class B stock of this corporation without nominal or par value to the said W. B. Ward, or his nominees or assigns, in such proportions as may be designated by him; and it is further

Resolved, That the proper officers of this corporation hereby are authorized to direct, upon the delivery of an assignment to this corporation of the contract herein above described, and of the rights and interests of said W. B. Ward in and to the same, to issue and deliver in accordance with this resolution 5,000,000 shares of the class B stock of this corporation, without nominal or par value.

At this meeting Mr. Helms was elected president and J. W. Rumbough secretary-treasurer. The board as finally organized consisted of Mr. Deininger as chairman, and Mr. Helms and Mr. Rumbough.

In order to facilitate the sale of class A stock of the new corporation Mr. Ward made the following offer:

OCTOBER 3, 1925.

GENERAL BAKING CORPORATION,
Baltimore, Md.

GENTLEMEN: In consideration of your offering stock of your company to the public for subscription, I hereby agree that I will furnish you with all the class B stock necessary to enable you to perform your obligation to the public. This offer is limited only to 2,500,000 shares of said class B common stock.

Yours very truly,

W. B. WARD.

On October 10, 1925, the General Baking Corporation made the following offer to the common-stock holders of the General Baking Co.:

GENERAL BAKING CORPORATION,
ROOM 505, 512 FIFTH AVENUE,
New York, N. Y., October 10, 1925.

To the Stockholders of General Baking Co.:

In a letter dated September 29, 1925, addressed to Mr. William Deininger, the president of General Baking Co., by Mr. William B. Ward, a copy of which you have received, this statement was made: "For your information please let me say that it is the plan to form a new company to acquire the stock of said company and an opportunity will be presented to its stockholders at a later date to exchange some or all of their holdings for shares in the new company."

The name of the new company is General Baking Corporation. The authorized capital stock of General Baking Corporation is 5,000,000 shares of class A stock and 5,000,000 shares of class B stock, both without par value.

An offer is now submitted to exchange stock of General Baking Corporation for stock of General Baking Co. on the following basis:

For one share of common stock of General Baking Co., you may obtain two shares of class A stock and six shares of class B stock of General Baking Corporation.

The class B stock has been issued in connection with the organization and promotion of the company for a contract and it is expected that the quarterly payment of dividends will be inaugurated January 1, 1926, by the payment of $1 upon each share of class A stock.

If you desire to exchange the stock of General Baking Co., which you now own for the stock of General Baking Corporation on the terms above set forth, you may so indicate on the inclosed blank and return the same by registered mail to the Guaranty Trust Co. with a certificate of deposit, duly indorsed in blank which the Guaranty Trust Co. of New York has already issued to you upon deposit of your stock under a certain deposit agreement with which you are familiar; or if you have not so deposited your stock with the Guaranty Trust Co. of New York and received its certificate of deposit, you may return by registered mail the inclosed form of application, to the Guaranty Trust Co., properly executed, together with the certificates of common stock of General Baking Co. which you now hold, duly indorsed in blank, and in either case you will receive certificates of stock of General Baking Corporation on the basis above set forth.

This offer will expire October 24, 1925, and an early reply is requested.

Inclosed is an extract from the certificate of incorporation of General Baking Corporation and also a self-addressed envelope for use in connection with sending the stock certificates or certificates of deposit, with inclosed blank.

Very truly yours,

GENERAL BAKING CORPORATION,
PAUL H. HELMS, *President.*

Under Mr. Ward's assignment of his contract with Mr. Deininger to the General Baking Corporation, the latter company secured all the General Baking Co. stock deposited with the Guaranty Trust Co., either by cash payment or by exchange of its own stock therefor, and

also acquired other stock directly from General Baking Co. stockholders in exchange for the corporation stock. On November 5 the corporation made settlement with the Guaranty Trust Co. under its agreement with the latter and assumed control of the General Baking Co. On the same date the Guaranty Trust Co. returned to W. B. Ward his guaranty deposit of $2,000,000.

On March 13, 1926, the corporation held 429,330 shares of General Baking Co. common stock out of a total of 429,719 shares outstanding.

Of the capital stock of the General Baking Corporation there were outstanding March 13, 1926, 1,052,897 shares of class A (nonvoting) out of a total amount authorized of 5,000,000 shares and 5,000,000 shares of class B (voting), the total amount authorized. Of the latter class of stock however, 972,732 shares were held in the treasury of the General Baking Corporation.

It appears from an examination made by Government accountants on or about March 13, 1926, that none of the class B stock was then held by W. B. Ward or his nominees to whom the stock was originally issued, 1,000,000 shares having been transferred to the corporation's treasury by Mr. Ward just prior to that date. The commission is not in a position to state who since that date have been the holders of class B stock comprising the sole voting shares of the corporation.

A dividend of $1.25 a share was paid on class A stock of the General Baking Corporation January 2, April 1, and July 1, 1926.

On November 23, 1925, the General Baking Corporation purchased the entire capital stock of the Smith Great Western Corporation, Kansas City, Mo. (see pp. 244–245), operating through subsidiary companies nine bakeries in Missouri, Kansas, and Oklahoma, and having annual sales of approximately $4,600,000

At the date of the General's purchase of the Smith Great Western stock the latter had shares outstanding as follows: 2,705 shares of preferred, 13,374 shares of class A common, and 15,000 shares of class B. This stock was owned by 115 stockholders and was acquired on the following terms: For every share of preferred stock of the Smith Great Western the holder was offered one share of class A and two shares of class B common of the General Baking Corporation, or $105 in cash. For every share of class A common of the Smith Great Western the holder was offered 2¼ shares of class A common and 4½ shares of class B common of the General Baking Corporation, or $225 in cash. For every 15 shares of class B common of the Smith Great Western the holder was offered 7 shares of class A common and 14 shares of class B common of the General Baking Corporation. There was no alternative offer for class B common.

Of the 2,705 shares of Smith Great Western preferred stock 1,963 shares were paid for in cash, and stock of the General Baking Corporation was issued and exchanged for the balance of 742 shares. Of the 13,374 shares of Smith Great Western class A common, 2,889 shares were paid for in cash, and corporation stock was issued and exchanged for the balance of 10,485 shares. Altogether $2,438,340 was paid out in cash for stock in the Smith Great Western.

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The following table shows the bakeries of the General Baking Corporation, together with their respective locations and operating companies:

TABLE 47.—*Bakeries of the General Baking Corporation, by States and cities, with operating company and bakery name, 1926*

State and city	Operating company	Bakery name
Connecticut:		
(1) Hartford	The General Baking Co.[1]	Kolb's Bakery.
(2) New Haven	do	S. S. Thompson Co.
(3) Waterbury	do	Dexter's Bakery.
District of Columbia:		
(4) Washington	do	Leary plant.
Kansas:		
(5) Hutchinson	The Cripe Baking Co.[2]	Cripe Bakery.
(6) Kansas City	Consumers Bread Co.[2]	Kopp Bakery.
(7) Wichita	The Smith Baking Co. (Wichita)[2]	The Smith Baking Co.
Louisiana:		
(8) New Orleans	The General Baking Co.	Vories plant.
Maryland:		
(9) Baltimore	Gardner Bakeries (Inc.)[3]	Gardner Bakeries (Inc.)[4]
Massachusetts:		
(10) Boston	The General Baking Co.	Fox Bakery.
(11) Boston	do	Ferguson Bakery.
(12) Springfield	do	Dexter's Bakery.
Michigan:		
(13) Detroit	do	Morton Baking Co.
Missouri:		
(14) Kansas City	Consumers Bread Co.[2]	Warneke Bakery.
(15) Kansas City	do	Smith Bakery.
(16) Kansas City	do	Consumers Cake Shop.[4]
(17) St Louis	The General Baking Co.	McKinney Bakery.
New Jersey:		
(18) Jersey City	do	Martin's Bakery.
(19) Newark	do	Weber plant.
New York:		
(20) Brooklyn	do	General Baking Co.
(21) Buffalo	do	Collins plant.
(22) New York	do	Fleischmann's Vienna Bakery.[4]
(23) New York	do	Williamsbridge plant.
(24) New York	do	General Baking Co.
(25) New York (Richmond Hill).	do	Dillman Baking Co.
(26) Rochester	do	Deininger Bakery.
(27) Rochester	do	Do.
(28) Syracuse	do	Syracuse Bread Co.
Ohio:		
(29) Canton	do	Canton Baking Co.
(30) Cleveland	do	Cleveland Baking Co.
(31) Steubenville	do	General Baking Co.
(32) Toledo	do	United plant.
Oklahoma:		
(33) Enid	The Enid Bread Co.[2]	The Enid Bread Bakery.
(34) Oklahoma City	The Smith Baking Co. (Oklahoma City)[2]	The Smith Baking Co.
(35) Tulsa	Tulsa Bread Co.[2]	Tulsa Bread Co.
Pennsylvania:		
(36) Philadelphia	The General Baking Co.	Philadelphia Cake Bakery.
(37) Philadelphia	do	Kolb Bakery Co.
(38) Philadelphia	do	Do.
(39) Philadelphia	do	Do.
Rhode Island:		
(40) Providence	do	Arnold Bakery.
Virginia:		
(41) Norfolk	Gardner Bakeries (Inc.)	Gardner Bakeries (Inc.)
West Virginia:		
(42) Wheeling	The General Baking Co.	General Baking Co.

[1] Subsidiary of the General Baking Corporation.
[2] Subsidiary of Smith Great Western Baking Corporation, which is a subsidiary of the General Baking Corporation.
[3] Subsidiary of the General Baking Co., which is a subsidiary of the General Baking Corporation.
[4] Cake only.

THE GENERAL BAKING CO.

The General Baking Co., a subsidiary of the General Baking Corporation since October, 1925, was incorporated June 6, 1911, under the laws of the State of New York, with an authorized capital stock of 100,000 shares of common and 100,000 shares of 7 per cent cumulative preferred, both $100 par value. On December 30, 1911, it had outstanding 34,000 shares of common stock and 59,250 shares of preferred stock. Early in 1922 the capital stock was increased to 150,000 shares common and 100,000 shares 8 per cent preferred, both of no par value. Exchange of old stock for new was made on the basis of one share of old preferred for one share of new preferred and one share of new common and one share of old common for two shares of new common. In December, 1922, the authorized common stock was increased to 500,000 shares. On December 31, 1925, there were outstanding 429,719 shares common and 90,775 shares preferred.

Dividends on the preferred stock were begun in April, 1912, at the rate of 7 per cent per annum. From 1913 to 1919 dividends on preferred were paid at the rate of 4 per cent. Seven per cent dividends were resumed in 1919, and by the close of 1920 all accrued dividends had been paid, in part by cash payment and in part by the distribution of a 20 per cent preferred-stock dividend. Since April 1, 1922, a quarterly dividend of $2 per share has been maintained.

The first dividends on common were paid in 1921 at the rate of 7 per cent per annum and in 1922 on the new common of no par value at the rate of $8 per annum per share. At the close of 1922 a stock dividend of 200 per cent was paid to common—that is, two shares for each share held. In 1923 three dividends of $1 per share were paid on the increased common and on January 1, 1924, $1.50 per share and quarterly thereafter until October 1, 1925, when control was acquired by the General Baking Corporation.

In 1911 the General Baking Co. acquired the stock or assets of the following 20 baking companies, operating 21 bakeries:

Arnold-Althaus Co., Providence, R. I.
Boston Baking Co., Washington, D. C.
Brunner Baking Co., Buffalo, N. Y.
Canton Baking Co., Canton, Ohio.
Cleveland Bread Co., Cleveland, Ohio.
Collins Baking Co., Buffalo, N. Y.
Deininger Bros. Co., Rochester, N. Y.
Ferguson, J. G. & B. S., Co., Boston, Mass.
Fleischmann's Vienna Model Bakery (Inc.), New York, N. Y.
Fox, George G., Co., Boston, Mass.
Haller Bread Co., Pittsburgh, Pa.
Juergens Baking Co., Wheeling and Wellsburg, W. Va.
McKinney Bread Co., St. Louis, Mo.
Martens, C., Co. (Inc.), Jersey City, N. J.
Morten Baking & Manufacturing Co., Detroit, Mich.
Ontario Biscuit Co., Buffalo, N. Y.
Rochester Baking Co., Rochester, N. Y.
United Baking Co., Toledo, Ohio.
Vories Baking Co., New Orleans, La.
Weber Baking Co., Newark, N. J.

On December 29, 1911, the General Baking Co. acquired the entire outstanding common capital stock of the Kolb Baking Co., of Philadelphia, which operated three bakeries in that city. This gave control of the operating company to the General Baking Co., which also guaranteed the payment of interest and sinking fund of the Kolb company's $2,000,000 first-mortgage 5 per cent bonds and also the 7 per cent dividends on its $2,000,000 preferred stock. In 1922 Kolb Bakery Co. was merged with the General Baking Co., for which purpose $1,758,000 preferred stock of the General Baking Co. was exchanged for a like amount of Kolb Bakery Co. preferred, and the remaining $242,000 of Kolb Bakery Co. preferred was redeemed in cash.

In 1915 the General Baking Co. purchased a bakery plant in Rochester to replace one, the company's lease on which was expiring. It also constructed in 1916 and 1917 bakeries at Steubenville, Ohio, and Wheeling, W. Va. In 1920 it acquired the bakery of Dillman Bakery (Inc.), of Brooklyn, N. Y., through purchase of its preferred and common stocks. In 1922 Syracuse Bread Co., of Syracuse, N. Y., was acquired and in 1923 Dexter's Bakeries, operating plants in Springfield, Mass., and Waterbury, Conn., and S. S. Thompson Baking Co., of New Haven, Conn., were purchased. In April, 1924, the General Baking Co. acquired the stock of Gardner Bakeries (Inc.), with plants in Baltimore, Norfolk, Philadelphia, Newark, Richmond, Washington, and Atlanta. Only the Baltimore and Norfolk plants are now being operated. In 1924 a new plant was constructed in New Haven, Conn., and one in Brooklyn, N. Y.

In 1926 the General Baking Co., including Gardner Bakeries (Inc.), operated 33 bakeries in 25 cities, as appear in the table above (see p. 242). Its total sales for 1925 were approximately $39,500,000 of which $35,200,000 was for bread, and the remainder chiefly for cake. The bread production for 1925 in pounds was 452,500,000.

SMITH GREAT WESTERN BAKING CORPORATION

Smith Great Western Baking Corporation, a subsidiary of the General Baking Corporation since November, 1925, was incorporated January 24, 1923, under the laws of the State of Delaware.

Under its charter it is authorized to issue 5,000 shares of 7 per cent noncumulative preferred stock of $100 par value each share; 20,000 shares of class A common stock of $100 par value each share; and 15,000 shares of class B common stock of no par value. On December 26, 1925, it had issued and outstanding 2,705 shares of preferred stock, 13,374 shares of class A common, and 15,000 shares of class B common, all of which were owned by the General Baking Corporation.

Smith Great Western Corporation is a holding company only, owning all the outstanding capital stock of the following companies which operate nine bakeries in Missouri, Kansas, and Oklahoma:

Consumers Bread Co., Kansas City, Mo.
Tulsa Bread Co., Tulsa, Okla.
The Smith Baking Co., Wichita, Kans.
The Smith Baking Co., Oklahoma City, Okla.
The Enid Bread Co., Enid, Okla.
The Cripe Baking Co., Hutchinson, Kans.

Consumers Bread Co. was incorporated March 9, 1909, under the laws of the State of Missouri, with an authorized capital of $1,000,000, divided into 4,000 shares of 6 per cent noncumulative preferred stock of a par value of $100 each and 6,000 shares of common stock of a par value of $100 each. The outstanding capital stock of this company, February, 1926, was $967,700.

It operates in Kansas City, Mo., and Kansas City, Kans., owning five plants as follows:

In Kansas City, Mo.: Smith Bakery, Warneke Bakery, Consumers Cake Shop (cake only), Suydam Bakery (inactive).

In Kansas City, Kans.: Kopp Bakery.

The above plants are all operating except the Suydam Bakery which was closed down during the year 1922, owing to obsolescence, and is now used as a storehouse.

Tulsa Bread Co. was incorporated June 9, 1919, under the laws of the State of Oklahoma, with an authorized capital stock of $100,000, divided into 1,000 shares of common of a par value of $100 each. The outstanding capital stock, February, 1926, was $98,600. It operates one plant at Tulsa, Okla.

The Smith Baking Co. (Wichita) was incorporated July 30, 1920, under the laws of the State of Kansas, with an authorized capital stock of $150,000, divided into 1,500 shares common of a par value of $100 each, all of which are issued and outstanding. It operates one plant at Wichita, Kans.

The Smith Baking Co. (Oklahoma City) was incorporated August 2, 1921, under the laws of the State of Oklahoma, with an authorized capital stock of $150,000, divided into 1,500 shares common of a par value of $100 each, all of which are issued and outstanding. It operates one plant at Oklahoma City, Okla.

The Enid Bread Co. was incorporated September 15, 1923, under the laws of the State of Oklahoma, with an authorized capital stock of $50,000, divided into 500 shares common of a par value of $100 each. The outstanding capital stock, February, 1926, was $35,000. It operates one plant at Enid, Okla.

The Cripe Baking Co. was incorporated August 24, 1924, under the laws of the State of Kansas, with an authorized capital of $75,000, divided into 750 shares of common of a par value of $100 each. On March 6, 1925, an amendment was made to the charter authorizing the issue of $35,000 of 7 per cent cumulative preferred stock. The outstanding capital stock, February, 1926, was $45,550. It operates one plant at Hutchinson, Kans.

Section 5. The Continental Baking Corporation.

The Continental Baking Corporation was organized under the laws of Maryland, November 6, 1924. The duration of its charter is perpetual. The terms of the charter authorized it to hold shares in other companies and to exercise all rights pertaining to those shares. The charter also permits it to engage in the business of manufacturing, buying and selling at wholesale and retail, and export and import, and otherwise deal in flour, bread, biscuits, cakes, pies, crackers, ice cream, Italian paste and pastry, and other food articles of all kinds, and to purchase, lease, acquire, manage, and operate stores, bakeries, factories, elevators, and food plants, and any other business, incidental to the making and manufacturing of food articles, including the business of manufacturers and dealers in all kinds of

machinery, appliances, and plants, and particularly those incidental or necessary to the business which this corporation has power to engage in.

The charter of the Continental Baking Corporation authorizes it to issue 2,000,000 shares of preferred stock of the par value of $100 each, and 2,000,000 shares of class A common stock, and 2,000,000 shares of class B common, both classes without par value.

Of the authorized preferred stock there had been issued to August, 1926, 518,529 shares as follows: 335,684 shares issued for cash,[5] a large part of which was used in the acquisition of stock in other companies. The balance of the 518,529 shares was issued in connection with the acquisition of the preferred stock of companies in their respective amounts of Continental stock as follows: 164,818 shares, United Bakeries Corporation; 1,979 shares, American Bakery Co.; 710 shares, Massachusetts Baking Co.; 11,302 shares, R. B. Ward & Co. (Inc.); 4,036 shares, Campbell Baking Co.

Of the authorized class A common stock there had been issued to August, 1926, 291,782 shares, as follows: 74,460 shares, issued for cash;[6] 210,441 shares, issued in connection with the acquisition of stock of the United Bakeries Corporation; and 6,881 shares, issued in connection with the acquisition of stock of American Bakery Co.

The entire authorized issue of 2,000,000 shares of class B common stock was issued for contract to purchase stock of American Bakery Co. (See pp. 252,253).

Voting power of the Continental Baking Corporation is vested exclusively in the common stock, class A and class B having one vote per share.

Holders of preferred stock are entitled to receive a dividend of 8 per cent per annum and no more, when and as declared, payable quarterly, the dividend to be cumulative. Holders of class A common stock are entitled to receive a dividend of $8 per share per annum, when and as declared, and after the payment of all accumulated dividends on preferred stock, payable quarterly. Whenever a dividend has been paid on class A common stock at the full rate for the dividend period, dividends in both class A and class B common may be paid the two classes being considered as one class for this purpose, the holders being entitled to participate ratably, share for share.

Dividends have been paid quarterly on the preferred stock at the rate of 8 per cent per annum as follows: 1924 (one quarterly payment), $434,042.58; 1925, $3,766,509.62; 1926 (first two quarterly payments), $2,070.324, and on class A common stock at the rate of $8 per annum as follows: 1924 (one quarterly payment), $418,006.65; 1925, $2,203,-307.29; 1926 (first two quarterly payments), $1,166,196. No dividends have been paid on class B common stock.

UNITED BAKERIES CORPORATION

United Bakeries Corporation (p. 230) was one of the companies whose stock was first acquired by the Continental Baking Corporation. The same individuals, W. B. Ward and his associates, who were heavily interested in the United, were instrumental in organizing the Continental and contemplated at the time of its organization the purchase of at least a majority of the voting stock of the United, as well as of other baking companies, negotiations for which had already begun.

[5] Up to February, 1926, 318,305 shares had been issued for cash, all at $100 per share, except 7,500 shares at $102 per share. With each share of a considerable portion of preferred issued for cash at $100 per share, a bonus of from one-half of 1 share to 2 shares of class B common stock was given.

[6] Up to February, 1926, 24,460 shares had been issued for cash, all at $100 per share, except 2,100 share at $120 per share.

The United Bakeries Corporation is authorized to issue capital stock as follows: 250,000 shares of 8 per cent cumulative preferred stock, $100 par value; and 250,000 shares of common stock, no par value. Of this there were outstanding, September 13, 1924, 153,377 shares of preferred stock and 208,598 shares of common.

On the day of the incorporation of the Continental Baking Corporation, November 6, 1924, the following offer was made for the stock of United Bakeries Corporation by the Continental through its chairman

CONTINENTAL BAKING CORPORATION,
New York, N. Y., November 6, 1924.

Mr. GEORGE B. SMITH,
Chairman United Bakeries Corp
512 Fifth Avenue, New York City.

DEAR SIR: I have caused to be formed Continental Baking Corporation with an authorized capitalization as follows:

(*a*) 2,000,000 shares of 8 per cent cumulative dividend preferred stock, par value $100 per share. Callable at $110 and nonvoting.

(*b*) 2,000,000 shares of noncumulative dividend class A common stock without nominal or par value. This stock is preferred as to dividend over class B common stock to the extent of $8 per share per annum and thereafter will participate share and share alike with class B common stock.

(*c*) 2,000,000 shares of class B common stock without nominal or par value.

This stock will be issued as needed and in due time application will be made for the listing of all three classes of stock on the New York Stock Exchange.

This company has wonderful opportunities of which it proposes to take advantage. It expects to take over many large and profitable baking companies operating in the larger cities on this continent, and negotiations have progressed to a point where it is assured that the purchase of some of these will take place within a short time.

Continental Baking Corporation desires to acquire the outstanding stock of United Bakeries Corporation and offers its stock in exchange for stock of United Bakeries Corporation on the following basis:

For one share of preferred stock of United Bakeries Corporation the stockholders may obtain one share of preferred stock and one share of class B common stock of Continental Baking Corporation.

For one share of common stock of United Bakeries Corporation the stockholders may obtain one share of class A common stock and two shares of class B common stock of Continental Baking Corporation.

It is the intention of Continental Baking Corporation to pay regular quarterly dividends at the rate of 8 per cent per annum on its preferred stock and also to pay regular quarterly dividends at the rate of $8 per share per annum on its class A common stock, and to make the first quarterly payment on both classes of stock January 1, 1925.

If the stockholders desire to exchange the stock of United Bakeries Corporation which they now own for stock of Continental Baking Corporation on the terms above set forth and will send their stock certificates duly indorsed, witnessed, and stamped with Federal revenue stamps at the rate of 2 cents per share, to the Guaranty Trust Co., Fifth Avenue office, Fifth Avenue and Forty-fourth Street, New York City, this company will cause to be issued in exchange therefor its own stock as above set forth.

Will you kindly communicate this offer to all stockholders of your company and advise them that this offer will expire December 1, 1924.

Yours very truly,

G. G. BARBER,
Chairman, Board of Directors.

On or about November 9, 1924,[7] George B. Smith, then chairman of the board of United Bakeries Corporation, now president Ward Baking Corporation, wrote to the stockholders of the United as follows:

UNITED BAKERIES CORPORATION,
Executive Office, 512 Fifth Avenue, New York, N. Y.

To the stockholders of United Bakeries Corporation:

Inside this folder you will find copy of a letter received from the Continental Baking Corporation offering to purchase the stock which you own in the United Bakeries Corporation on the terms set forth.

I am familiar with the organization and the plans of the Continental Baking Corporation, and I know the men who will conduct its business. The officers and managers who have served with United Bakeries Corporation will continue with the Continental Baking Corporation.

You are undoubtedly familiar with the success of United Bakeries Corporation. I have every reason to believe that the new company, known as the Continental Baking Corporation, with its larger program, with the splendid organization which it has, and with the very able men which it will bring into this new company from the companies which it is to purchase, will materially add to its man power and this is bound to mean larger earnings for all those who accept this offer to exchange their stock.

I have personally decided to accept this offer and transfer my own stock on these terms, and I recommend without reservation to the stockholders of United Bakeries Corporation that they accept this offer and send their stock for exchange for the stock of the Continental Baking Corporation, to the Guaranty Trust Co., Fifth Avenue office, Fifth Avenue and Forty-fourth Street, New York City, before November 24, 1924. Please have your indorsement signature guaranteed by a bank, and if you act in a representative capacity, forward proof of your authority.

I am hopeful you will favor this greater program and send your stock to be exchanged.

GEORGE B. SMITH.
Chairman, Board of Directors.

P. S.—Inclosed find gummed address label to be affixed to face of envelope used by you in mailing stock certificates.

On May 16, 1925, the United had outstanding 173,465 shares of preferred stock and 211,371 of common, of which 170,685 preferred and 209,313 common were owned by the Continental. Of this stock acquired by the Continental up to May 16, 1925, only 600 shares of preferred were bought for cash, for which $100 per share was paid.

On May 15, 1926, 177,897 shares of preferred out of 178,231 shares outstanding and 210,313 shares of common out of 211,408 shares outstanding were owned by the Continental.

The United was at the time of its purchase by the Continental and still is exclusively a holding company, itself operating no bakeries, but holding, when taken over, the stock of 10 companies operating 39 bakeries in 31 cities. Its annual sales for 1924 were approximately $39,000,000.

[7] G. G. Barber, then chairman of the board, Continental Baking Corporation, in hearing before the commission in the matter of Federal Trade Commission *v.* Continental Baking Corporation, Mar. 16, 1926, stated that the letter was sent out "sometime between the 7th and 10th of November."

WAGNER BAKING CO.

On November 12, 1924, the Continental Baking Corporation, through its chairman, made an offer, in the form of a letter addressed to John Wagner, for the entire capital stock of Wagner Baking Co., Detroit, consisting of 7,000 shares. On November 14 an acceptance of the offer, signed by 22 stockholders of Wagner Baking Co., was tendered to the Continental. The purchase price was $3,850,000 "plus an amount equal to the balance of cash on hand at the close of business on November 10, 1924, plus an amount equal to the market value of the United States and municipal bonds in the treasury of Wagner Baking Co." The transaction was consummated as of November 10, 1924, and payment was made in cash amounting to $4,052,693.78.

Under the terms of this agreement every stockholder except Edward Wagner agreed not to become interested directly or indirectly in the bakery business within a radius of 50 miles of Detroit for a period of five years.

Wagner Baking Co. was operating at the time of its purchase by the Continental one bakery at Detroit, Mich., with annual sales of approximately $2,270,000. On May 15, 1926, its entire capital stock was owned by the Continental.

LIVINGSTON BAKING CO.

On November 14, 1924, a contract was entered into between Milton L. Livingston and Julian M. Livingston on behalf of the Livingston Baking Co., Chicago, and G. G. Barber on behalf of the Continental Baking Corporation for the purchase by the latter company of 397 shares of preferred stock and 200,000 shares of common stock of the former company. This represented the entire outstanding stock of the Livingston Baking Co., the authorized capital stock being 1,000 shares of preferred, $100 par value, and 200,000 shares of common, $5 par value. The outstanding stock was purchased for $3,017,980 plus the amount of net profits of the Livingston Co. from November 1, 1924, to January 10, 1925, said profits to be agreed upon mutually by the two companies. The deal was consummated, and the purchase price paid in cash on January 19, 1925, amounting to $3,200,000 in cash. By the terms of the contract neither of the Livingstons nor Louis J. Meyers was to engage directly or indirectly in the bakery business within a radius of 100 miles of Chicago for five years except with the purchaser or one of its subsidiaries.

Three Livingston bakeries were being operated at the time of purchase, all at Chicago. Their annual sales at that time amounted approximately to $3,520,000. On May 15, 1926, the outstanding stock of the Livingston company remained at 397 shares of preferred and 200,000 shares of common, all owned by the Continental.

AMERICAN BAKERY CO.

Stock of American Bakery Co., St. Louis, Mo., was acquired by the Continental, November, 1924. Negotiations for the purchase of this company, however, were begun by the Ward interests some weeks or even months prior to the date of incorporation of the Continental. The authorized capital stock of the American was 10,000 shares of each, common and preferred, $100 par value each share. Of this there were outstanding September 30, 1924, 7,533 shares of preferred and 9,312½ shares of common stock.

G. B. Smith, then chairman, board of directors, United Bakeries Corporation, under date of October 24, 1924, wrote as follows to Mr. Welle, president, American Bakery Co.:

NEW YORK, N. Y., *October 24, 1924.*

A. F. WELLE, Esq.,
President American Baking Co., St. Louis, Mo.

DEAR MR. WELLE: I beg to submit the following offer:

I offer $100 a share for the preferred stock and $75 a share for the common stock of your company; and in addition I offer to pay for the preferred stock an additional sum equal to the proportionate share of seven per cent per annum for the time between the last quarterly dividend date preceding the payment and the date of the payment of the purchase price; and for each share of common stock I offer to pay an additional sum equal to the proportionate share of 4 per cent per annum for the time between the last quarterly dividend date preceding the payment and the date of the payment of the purchase price. This offer is for all of the outstanding stock of your company or for any part thereof, provided it be the amount indicated in paragraph designated (2) below.

This offer is subject to the following conditions:

1. Persons owning both preferred and common stock are to turn over all of both classes of stock owned by them.
2. I am to receive from you at least 67 per cent of the voting stock of your company, two-thirds of said 67 per cent to be represented by common stock.
3. This offer is made on the basis of a certain report which you furnish me under date of September 30, 1924, and the usual examination is to be made on my behalf, and such report is to be confirmed.
4. The purchase is to be made as of December 1, 1924, on the basis of a certain statement or report furnished by you and dated September 30, 1924, with the understanding that dividend rate of 7 per cent per annum on preferred stock and 4 per cent per annum on common stock of your company will not be increased pending the consummation of this transaction.
5. Payment in full is to be made upon tender of the stock aforesaid on or before December 1, 1924.
6. Upon transfer of the stock as aforesaid and receipt of payment therefor, you are to deliver the resignations of your directors and officers, to take effect upon acceptance.
7. For the information of yourself and stockholders of your company, please let me say that it is my present plan to form a new company to take over the stock of your company, together with that of other companies, and an opportunity will be presented to your stockholders at a later date to exchange some or all of their holdings for securities of this new company. You will understand, of course, that this will not affect my obligations to pay the full amount in cash set forth in this offer to those stockholders who desire it.

The written acceptance of this offer, when received by me, signed by stockholders owning the necessary amount of stock, shall constitute a binding contract. If this offer is not accepted on or before November 1, 1924, it shall be deemed withdrawn.

Very truly yours,

G. B. SMITH.

The foregoing letter indicates that negotiations had been under way for the purchase of the American at least since the latter part of September [8] and also shows that the organization of a holding company for the stock of this and other companies was contemplated. That Mr. Smith conducted the negotiations, made the offer, and entered into the contract and not W. B. Ward, to whom the contract was almost immediately assigned, should be noted. It was not generally known at that time that Mr. Ward of the Ward Baking Corporation was the chief individual interest back of the new Continental.

Mr. Welle replies to this letter as follows:

AMERICAN BAKERY CO.,
St. Louis, October 31, 1924.

Mr. GEO. B. SMITH,
Care of United Bakeries Corporation,
512 Fifth Avenue, New York, N. Y.

DEAR MR. SMITH: I have in my possession the written acceptance of your proposition to me under date of the 24th instant, by which you agree to purchase common and preferred stock of the American Bakery Co., which acceptance is signed by the holders of 5,917 shares of preferred stock and 8,126⅔ shares of the common stock. This represents more than 67 per cent of the voting stock of the company, and also more than two-thirds of said 67 per cent is represented by common stock. All of the stockholders have not had an opportunity to make their determination, but I am giving them the opportunity to have their stock included in this sale if they so desire.

In the agreement accepting the proposition I have provided that the stockholders shall deposit their stock with such depository as I shall name, for payment on or before December 1, 1924.

I am not outlining or suggesting any of the details to be followed in consummating this deal because your Mr. Barber told me over the telephone that you were writing to-day outlining your plan, and therefore I shall await the arrival of the letter.

Yours very truly,

A. F. WELLE.

Mr. Smith's assignment of the contract to Mr. Ward on the date of the Continental incorporation follows:

For value received, I hereby sell, transfer, assign, and set over unto William B. Ward, the annexed contract composed of a letter addressed by me to the American Baking Co., St. Louis, Mo., and the acceptance thereof, and all my right, title, and interest in and to the same.

Dated New York, November 6, 1924.

G. B. SMITH.

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[8] G. G. Barber, then chairman of the board, the Continental Baking Corporation, in hearing before the commission in the matter of Federal Trade Commission *v.* Continental Baking Corporation, Feb. 9, 1926, testified as follows:

Q. You were the promoter and principal organizer of the Continental Baking Corporation, were you not?—A. I was.

Q. When did you definitely decide to organize that company?—A. To the best of my recollection it was some time in the fall of 1924, the early fall.

Q. But was it prior or subsequent to the contract of the American Bakery Corporation?—A. Prior.

Q. Prior?—A. Prior.

Q. Did you know of this contract for the stock of the American Bakery Co. at the time you decided to organize the Continental Baking Corporation?—A. Yes, I did.

Q. One of the reasons for organizing the Continental Baking Corporation was to take over this contract, was it not?—A. No; I would not say that that is correct. It happened that that was a desirable acquisition for such a company as we had pictured for the Continental Baking Corporation. There were several companies that would have been willing to handle that contract if they had had the opportunity for so doing.

Q. In this letter of Oct. 24, 1924, from Mr. G. B. Smith to Mr. A. F. Welle, after submitting the offer for the stock of the American Baking Co., I notice he makes this statement: "For the information of yourself and stockholders of your company, please let me say that it is my present plan to form a new company to take over the stock of your company, together with that of other companies, and an opportunity will be presented to your stockholders at a later date to exchange some or all of their holdings for securities of this new company."—A. That is a usual sentence or phrase that we have used in almost all contracts.

Q. That who has used?—A. That I have used, and others have used. Our general counsel, if you please, has inserted that in almost all contracts that we have ever entered into.

Q. So, of course, that statement in the letter had no reference to the organization of the Continental Baking Corporation?—A. Oh, I would not say that. Mr. Smith may have had his mind on some other company.

Q. And also, Mr. Ward may have had his mind on some other company?—A. Yes.

Q. But the one that was organized to take it over was the Continental Baking Corporation?—A. That is absolutely correct.

It does not appear what the "value received" by Mr. Smith for this contract was.

On the same day, November 6, 1924, Mr. Ward offered to assign this contract to the newly organized Continental in exchange for the entire issue of its class B common stock amounting to 2,000,000 shares. The offer follows:

NEW YORK CITY, *November 6, 1924.*

CONTINENTAL BAKING CORPORATION,
Baltimore, Md.

GENTLEMEN: I beg to submit the following offer for your consideration and acceptance.

I do hereby offer to assign, transfer, and set over unto your company a certain contract composed of a letter addressed by Mr. George B. Smith to American Baking Co., St. Louis, Mo., and the acceptance thereof, copies of which are attached hereto, which has been assigned to me by George B. Smith by an instrument in writing dated November 6, 1924, together with all my right, title, and interest in said contract. The consideration which I desire in full payment for said contract is 2,000,000 shares of the class B common stock of your company without nominal or par value. This offer is to be deemed withdrawn and of no effect unless accepted within 10 days from the date hereof. If this proposition is accepted, said shares are to be issued to me or to my nominees or assigns in such proportion as I may designate. All stamp taxes are to be paid by the company.

Very truly yours,

W. B. WARD.

That the offer was accepted on the same date is shown by the following assignment:

For value received, I hereby sell, transfer, assign, and set over unto Continental Baking Corporation the annexed contract, composed of a letter addressed by George B. Smith to the American Baking Co., St. Louis, Mo., and the acceptance thereof, which has been assigned to me by an instrument in writing bearing date the 6th day of November, 1924, together with all my right, title, and interest in and to said contract.

Dated New York, November 6, 1924.

W. B. WARD.

For the acceptance of the above contract or to enter into any other contract on behalf of the Continental, blanket authority was given by its board to the chairman as follows:

CONTINENTAL BAKING CORPORATION

(Copy of resolution adopted by board of directors November 6, 1924)

Further resolved, That the chairman of the board of directors be and he hereby is authorized and empowered, until otherwise ordered, to enter into, execute, and deliver, in the name and on behalf of this company, any contracts, agreement, conveyance, and any other instrument that may be deemed by him necessary or proper for the business of the company without further act or resolution of the board; and that the secretary be and he hereby is authorized and directed to attach the corporate seal thereto and to attest the same by his signature.

* * * * * * *

I, Brayton Campbell, secretary of Continental Baking Corporation, do hereby certify that I have compared the preceding with the resolution duly adopted at the meeting of the board of directors of said corporation, duly held at No. 2 Rector Street, New York, N. Y., on November 6, 1924, and I do hereby further certify the same to be a correct transcript of said resolution and of the whole thereof.

Witness my hand and the corporate seal of said corporation this 16th day of March, 1926.

BRAYTON CAMPBELL, *Secretary.*

A large portion of the 2,000,000 shares of the class B stock of the Continental thus acquired by Mr. Ward was returned to the treasury of the Continental and used with the preferred or class A common stock as bonus, either in the acquisition of the stock of other companies or in the sale of the company's own preferred or class A common stock. The explanation of these transactions as made by Mr. Barber, then chairman, is as follows:[9]

A. The issuance of all the class B common stock was a technical matter in order to make that stock fully paid. After it was issued, as I have already stated, a very large percentage of it was returned to the company.

Q. To whom was it first issued under the conditions you have just named?—A. It was issued in the name of W. B. Ward, who owned in his own name, a contract covering one of the companies whose stock is now entirely owned by Continental Baking Corporation, and which company was mentioned in the complaint.

Q. What company is that?—A. The American Bakery Co.

Q. All the class B common stock then was issued originally to Mr. W. B. Ward?—A. In his name, because he owned the contract.

* * * * * * *

Q. After the class B common stock had been issued to Mr. W. B. Ward, did he return it to the Continental Baking Corporation?—A. He did.

Q. For what reason?—A. For the reason that I have already stated, namely, that the issuance of all of that stock at one time was a technical matter in order to make the stock fully paid and nonassessable.

Q. You are speaking now of the two million of the class B common?—A. I am, sir.

Q. What made those 2,000,000 shares of class B common fully paid, the issuance of them to Mr. Ward?—A. Contracts assigned to the company by Mr. W. B. Ward; that constituted full payment.

Q. The contract that Mr. W. B. Ward had for the purchase of the American Bakery Company business was assigned to Continental Baking Corporation for 2,000,000 shares of class B common stock?—A. That is correct.

Q. Then under the contract assigned by Mr. Ward to Continental Baking Corporation, the Continental Baking Corporation acquired the stock of the American Bakery Company, did it?—A. That is correct.

* * * * * * *

Q. And for the privilege of assuming Mr. Ward's obligation, the Continental Baking Corporation gave him 2,000,000 shares of class B common stock, did it?—A. That is correct, and in the judgment of the board of directors the contract was worth the consideration.

Q. The contract to buy the stock of American Bakery Corporation was worth 2,000,000 shares of class B common stock of Continental?—A. That is correct.

* * * * * * *

Q. Did you say during the forenoon that afterwards Mr. Ward returned that class B common stock to the Continental Baking Corporation?—A. He returned a very large percentage of it.

Q. Was it a gift or a sale?—A. You mean the return of the stock?

Q. Yes, sir.—A. It was not a sale.

Q. Who owns that stock now?—A. Many thousands of stockholders.

Q. Was it sold by the Continental Baking Corporation?—A. It was not. It was given as a bonus with preferred stock sold for $100 per share.

Q. What do you mean by "for $100 per share"?—A. I mean that the preferred stock could not be sold, and can not be sold by the company for less than $100 per share.

Q. Cash?—A. Cash. I mean further that at the time of that transaction the financial market was in such a condition that preferred stock could not be sold for $100 a share without some additional consideration. So Class B Common stock was given with preferred stock.

Q. In every instance in which the preferred stock was sold?—A. To the best of my knowledge and belief that is correct, until within the last five or six months.

[9] Testimony in hearing before the commission in the matter of Federal Trade Commission v. Continental Baking Corporation, Feb. 9, 1926.

Q. So that every purchaser of preferred stock also received class B common stock as a bonus?—A. Every original purchaser.

Q. Did the same rule apply to the preferred stock that was sold at 102 per share?—A. It did not.

* * * * * * *

Q. As you stated this forenoon, the directors and officers of the Continental Baking Corporation felt that acquiring that contract was well worth that amount of stock?—A. That is correct.

Q. And yet subsequent to acquiring this contract and the rights thereunder, Class B common stock was not considered worth very much, was it?—A. It had absolutely no value.

Q. And was therefore given away as a bonus?—A. Such of it as Mr. Ward made available.

Q. And how much did that amount to?—A. Oh, roughly, it was something in excess of one and one-quarter million, if my recollection serves me right.

Q. The greater part of the amount that had been issued to him?—A. Oh, a very large percentage of it.

Q. In the disposition of the preferred stock of the Continental Baking Corporation, how many shares of class B common stock were given as a bonus for each share of the preferred stock?—A. That is information which is of public record. It was simply this. The first stock sold carried with it two shares of B with every share of preferred. That later was reduced to one share, and my recollection is that before the stock was all sold it was reduced to one-half, and, of course, for some long time the stock was sold at not less than $100 per share without bonus of any kind.

Q. Is any of class B stock still held by the Continental Baking Corporation?—A. It is.

Q. Can you tell me how much?—A. My recollection is that it is something between 7,500 and 10,000 shares.[10]

On or about November 9, 1924,[11] Mr. Barber as chairman of the board of the Continental sent the following letter to the stockholders of the American:

CONTINENTAL BAKING CORPORATION,
512 Fifth Avenue, New York, N. Y.

To the Stockholders of American Bakery Co.:

In the letter of Mr. George B. Smith dated October 24, 1924, addressed to Mr. A. F. Welle, a copy of which you have received, this statement was made:

"Please let me say that it is my present plan to form a new company to take over the stock of your company, together with that of other companies, and an opportunity will be presented to your stockholders at a later date to exchange some or all of their holdings for securities of this new company."

The name of the new company is Continental Baking Corporation, and there is inclosed an extract from its certificate of incorporation showing the rights, privileges, preferences, powers, and restrictions of its different classes of stock.

There is now submitted to you an offer to exchange your stock of American Bakery Co. for stock of Continental Baking Corporation on the following basis:

For one share of 7 per cent cumulative dividend preferred stock of American Bakery Co., you may obtain one share of 8 per cent cumulative dividend preferred stock of Continental Baking Corporation.

For one share of common stock of American Bakery Co. you may obtain three-quarters of a share of class A common stock and one share of class B common stock of Continental Baking Corporation.

The class A common stock of Continental Baking Corporation is entitled to preference as set forth in the inclosed extract from the certificate of incorporation, and it is the intention of the officers of the corporation to commence the payment of dividends at the rate of $8 per share per annum on January 1, 1925.

[10] The corporation laws of Maryland permit a charter to contain a provision authorizing the board of directors to issue shares without par value. To make such stock fully paid and nonassessable it must be issued for a consideration, such consideration as it may deem advisable, but the board must state its opinion of the actual value of such consideration when other than cash. Hence the issue of the entire class B common stock of the Continental to Mr. Ward for the American Bakery Co. contract, which in the judgment of the board was worth the stock, and the return of a portion of the stock by Mr. Ward as a gift to the Continental. The Continental could not sell its preferred stock for less than $100 cash, and the stock would not sell for that on the market, so a bonus of class B common was given. This would indicate that class B common had a value, even though slight, and that preferred was being sold for less than $100 cash.

[11] Mr. Barber, chairman of board, Continental Baking Corporation, in hearing before the commission in the matter of Federal Trade Commission v. Continental Baking Corporation, Mar. 16, 1926, stated that the letter was sent out "around Nov. 9 or 10."

If you desire to exchange the stock of American Bakery Co. which you now own for the stock of Continental Baking Corporation on the terms above set forth, you may send your American Bakery Co. stock to National Bank of Commerce, St. Louis, Mo., having first duly stamped and indorsed the same in blank, and the undersigned will issue to you in exchange therefor stock of Continental Baking Corporation on the basis above set forth.

Fractional shares will not be issued, but the company will purchase or sell, at the option of the stockholder, the necessary fractional share at a price based upon the rate of $100 for full share of class A common stock.

This offer will expire November 28, 1924.

Very truly yours,

CONTINENTAL BAKING CORPORATION,
By GEORGE G. BARBER,
Chairman of its Board of Directors.

In this letter offer is made to stockholders of the American of three-quarters of a share of class A common and one share of class B of the Continental for one share of American common. Since class A common was to sell at $100 a share, this would amount to about $75 per share. This is the price which the Continental under its contract (see pp. 250, 251) was obligated to pay for American common should the stockholder who accepted the cash offer not accept this later offer of Continental stock in exchange for American stock.

Mr. Barber in his testimony quoted above (see p. 251) says of the American that "that was a desirable acquisition for such a company as we had pictured for the Continental Baking Corporation. There were several companies that would have been willing to handle that contract if they had had the opportunity for so doing." On the other hand the quotation for American common on the St. Louis Stock Exchange during 1923 and to the close of September, 1924, ranged from a minimum of 30 to a maximum of 46 and in the month of negotiations and sale, October, 1924, attained a maximum of only 54. To an agent of the commission, Mr. Diedrich, secretary of the Freihofer Baking Co., stated that six months prior to the Continental's purchase of the stock of the American, William Freihofer had an option on the majority of the common stock of the American at $45 per share.

On May 16, 1925, the American had outstanding the entire amount of capital stock authorized, viz., 10,000 common and 10,000 preferred. The Continental on this date owned the entire capital stock for which it had paid in cash $565,982.49 and in stock of the Continental 1,979 shares of preferred, 6,881 class A common, and 9,169 class B.

The American operates three bakeries at St. Louis, Mo., one of which is a cake bakery. At the time of its acquisition by the Continental its annual sales were approximately $2,600,000.

STANDARD BAKERIES CORPORATION

An agreement dated December 5, 1924, between William E. Long, on behalf of the Continental Baking Corporation, and J. Burns, on behalf of Standard Bakeries Corporation, provided for the purchase by the Continental Baking Corporation of 48,953 shares of common stock of the Standard for the sum of $1,468,590 in cash. The agreement provided for the purchase of any additional stock which might be offered by any of the stockholders of the Standard at $30 per share. However, a part of the stock was purchased at a price slightly different from that proposed in the agreement.

Negotiations for the acquisition of this company, however, were begun before the incorporation of the Continental. A letter dated October 30, 1924, by the chairman of United Bakeries Corporation to W. E. Long, president, W. E. Long Co., Chicago, follows:

MY DEAR MR. LONG: According to the understanding arrived at during conference held this day in New York City you are to endeavor to purchase for the account of United Bakeries Corporation or its assigns at least 60 per cent (and al of it if possible) of the outstanding shares of stock of Standard Bakeries Corporation at a cost not to exceed $30 per share.

It is understood that you will either pay for this stock out of your own funds and then send stock to yourself, attached to sight draft, to the Guaranty Trust Co., Fifth Avenue office, Forty-fourth Street and Fifth Avenue, New York City, or take the vendor to a bank in Chicago to effect payment for the stock in the name of the Chicago bank to be furnished you later.

_____ _____,

Chairman United Bakeries Corporation.

The authorized capital stock of the Standard consists of 15,000 shares of preferred, $100 par value, and 200,000 shares of common without par value. Except under specified contingencies, the common stock only has voting power. On May 16, 1925, 2,000 shares of preferred stock out of 9,982 shares outstanding and the entire outstanding common stock, 90,843 shares, were owned by the Continental. For this stock of the Standard the Continental had paid in cash $2,908,804 and in stock of the Continental 654 shares of preferred and 1,308 shares of class B common. On May 15, 1926, the amount of common stock outstanding remained the same. The amount of preferred owned by the Continental had been increased to 2,157 shares.

At the time of its acquisition by the Continental the Standard was operating eight bakeries located in Ohio, Indiana, Nebraska, Colorado, and California. Its annual sales amounted to approximately $5,000,000.

CONSUMERS BAKING CO.

On December 6, 1924, G. G. Barber, on behalf of the Continental Baking Corporation, secured an option to purchase the stock of 133 stockholders representing the entire issue of the outstanding stock of Consumers Baking Co., Paterson, N. J. This stock consisted of 5,000 shares of preferred, $100 par value, and 10,000 shares of common without par value. The two classes of Consumers stock have equal voting power.

The option which extended 30 days provided for the purchase by Continental of the preferred at $100 per share in cash and of the common at $120 per share in cash; or, if the stockholders elected, they could receive one share of preferred in the Continental for one share of preferred in the Consumers and one share of class A common and one-half share class B common in the Continental for one share of common of the Consumers. The entire issue of Consumers stock was purchased for cash.

The company operates two bakeries at Paterson and Harrison, N. J. The total net sales in 1925 were not quite $2,000,000.

TAGGART BAKING CO.

On December 23, 1924, a contract was entered into between G. G. Barber for the Continental Baking Corporation and A. L. Taggart, W. L. Taggart, E. B. Taggart, and E. L. Cline for Taggart Baking Co.,

Indianapolis, Ind., providing for the purchase by the Continental of 990 shares of first preferred stock, 1,910 shares of second preferred, and 3,500 shares of common of Taggart Baking Co. The foregoing number of shares constituted on that date the entire outstanding capital stock of the company. The contract provided, however, that the common stock outstanding should be increased to 8,250 shares by declaring a stock dividend before the date of consummation of this agreement and the preferred stock was retired. The purchase price was $1,450,000 in cash. The deal was consummated January 12, 1925, in accordance with the terms of the contract.

The sellers agreed not to become interested, directly or indirectly, in the baking business within a radius of 50 miles of Indianapolis, Ind., for a term of five years, except with the Continental or one of its subsidiaries.

The company operates two bakeries at Indianapolis and Anderson, Ind. The total net sales in 1925 were slightly over $2,000,000.

MASSACHUSETTS BAKING CO.

On January 16, 1925, an agreement was entered into between G. G. Barber on behalf of the Continental Baking Corporation and 10 of the largest stockholders of Massachusetts Baking Co. for the purchase of the stock of these stockholders. This agreement took the form of an acceptance of a proposal which had been made verbally and was signed under the caption "accepted" by C. O. Swanson individually and as president of the company, Henry Brueggestrat individually and as an official, and Home Security Co.

Massachusetts Baking Co. has an authorized capital stock of first preferred of 22,000 shares and of second preferred of 11,000 shares, both classes $100 par value, and of common stock of 37,000 shares without par value. The classes of stock have equal voting power.

The Massachusetts company's stockholders entering the agreement with the number of shares owned by each were as follows:

Name	First preferred	Second preferred	Common
C. O. Swanson	208	615	995
G. Emanuelson	118	1,049	1,100
Henry Brueggestrat	50	1,144	1,025
R. H. Dietz	2	1,091	944
Adolph Raymond	90	608	633
Albert Raymond	71	632	622
James Borck		144	200
Harold G. Stevens		144	200
W. H. Dietz	8	49	71
Home Security Co.	590	428	74
Total	1,137	[1] 5,905	5,864

[1] A slight discrepancy between total and detailed figures appears. Figures furnished by G. G. Barber, then chairman of the board of the Continental, and Brayton Campbell, secretary-treasurer.

The contract provided that the holders of the first preferred stock should have the option of receiving $100 in cash for each share or one share of preferred stock of the Continental. The holders of the second preferred were to receive $80 in cash and two shares of class B common stock of the Continental for each share of second pre-

ferred. The holders of the common stock were to receive two shares of class B common stock of the Continental for each share of their stock. The holders of the first preferred stock of Massachusetts Baking Co. elected to take cash. The other classes of stock were transferred on the terms of the contract. The Continental also agreed under the terms of the contract to purchase all other stock of the Massachusetts not expressly covered by the agreement on the same basis.

On May 16, 1925, there were shares outstanding as follows: First preferred, 7,898; second preferred, 8,937; and common, 12,821. Of this there had been acquired by the Continental, first preferred, 7,466 shares; second preferred, 8,830 shares; common, 8,823 shares. For this stock the Continental had paid $1,405,000 in cash, and Continental preferred stock 480 shares, and class B Continental stock 37,733 shares. On May 15,1926, all of the outstanding second preferred of the company and substantially all of the other two classes of stock were owned by the Continental.

At the time of the Continental acquisition of the Massachusetts company the latter was operating eight bakeries in Massachusetts and Connecticut. Since its acquisition the Massachusetts has continued to operate these plants and in addition to this is now (August, 1926) operating bakeries formerly operated by New England Bakery Co. at the following points: Hartford and New Haven, Conn., and Lawrence, New Bedford, and Springfield, Mass. The total net sales of the Massachusetts company in 1925 amounted to approximately $4,200,000.

THE NEW ENGLAND BAKERY CO.

On April 22, 1925, the Continental Baking Corporation, through G. G. Barber, contracted for the purchase of a controlling stock interest in the New England Bakery Co. The original contract was made March 4, 1925, with Duane F. Phelps, Louis L. Gilbert, and William J. Gilbert, parties of the first part, and Empire Baking Corporation of Maryland, parties of the second part, the latter being represented by E. L. Sabin, secretary-treasurer. This contract was assigned to the Continental on April 22, 1925.

The outstanding capital of New England Bakery Co. on May 16, 1925, was as follows: Common stock, 5,706 shares; first preferred, 4,651 shares; and second preferred, 7,485 shares. Of this stock the Continental held on that date 5,181 shares of common, 3,183 shares of first preferred, and 7,245 shares of second preferred. For this stock Continental had paid in cash $1,239,390. Since that date the Continental has acquired all outstanding stock of the company and the capitalization has been reduced to one class of 5,000 shares without par value.

At the time of the Continental acquisition of New England Bakery Co. the latter was operating six bakeries in Massachusetts and Connecticut. All of these plants are now (August, 1926) being operated by Massachusetts Baking Co. except the plant at Somerville, Mass. The company's total net sales in 1925 were approximately $1,650,000.

THE CORBY BAKING CO. (INC.)

On February 2, 1925, the Continental Baking Corporation entered into a contract for the purchase of the stock of the Corby Baking Co. (Inc.), Washington, D. C. As reorganized shortly before its purchase it had outstanding stock of 60,000 shares of common, without par value, all of which was acquired by the Continental for a cash payment of $5,000,000.

The company operated at the date of acquisition two plants at Washington, D. C., and one each at Alexandria and Richmond, Va. Since that date, operations at Alexandria, Va., have been discontinued. The company's total net sales in 1925 amounted approximately to $4,300,000.

UNITED RETAIL BAKERIES (INC.)

On February 14, 1925, United Retail Bakeries (Inc.), was incorporated under the laws of the State of Maryland by W. B. Ward and his associates for the purpose of acquiring and holding the stock of house-to-house retail bakery companies. Its authorized capital is 300,000 shares preferred, $100 par value and 300,000 shares class A common and 57,050 shares class B common, both classes without par value. The two classes of common stock have equal voting power. The preferred has no voting rights.

By April 24, 1925, the United Retail had acquired a controlling stock interest in Mills Baking Co., Detroit, Mich., and Hall Baking Co., Buffalo, N. Y., both house-to-house retailers. On that date the Ward interests held more than three-fourths of the outstanding voting stock of the United Retail, which consisted of 50,000 shares of class A common and 57,050 shares class B. There were also outstanding on that date 14,645 shares of preferred stock.

Subsequently, United Retail Bakeries (Inc.) acquired a controlling stock interest in Star Baking Co., Cleveland, Ohio, and the Continental acquired a controlling stock interest in the United Retail.

On May 16, 1925, the Continental held all the outstanding common stock of the United Retail, and 24,400 shares out of 26,079 shares of preferred outstanding, for all of which it had paid $1,090,000 in cash and in Continental preferred stock 13,500 shares, and class A stock 50,000 shares.

The United Retail, through its subsidiaries, operates one house-to-house bakery at Detroit, one at Buffalo, and two at Cleveland. Its total net sales in 1925 were approximately $6,100,000.

ACQUISITION OF OTHER BAKING COMPANIES

Early in 1925, prior to May 16, the following additional companies, together with their plants, were acquired by the Continental through the purchase of the entire outstanding stock or a majority interest: Occident Baking Co., with a plant at each, Minneapolis, Minn. and Madison, Wis.; Washington Bakeries Corporation with two plants at Seattle, Wash.; Spokane Bakery Co., with a plant at

Spokane, Wash.; Perfection Bread Co., with a plant at Sacramento, Calif.; Log Cabin Baking Co., with a plant at Portland, Oreg.; Butter-Krust Baking Co., with a plant at Salt Lake City, Utah; Ogden Baking Co., with a plant at Ogden, Utah; and R. B. Ward & Co. (Inc.), with a plant at each, Los Angeles, Berkeley, and San Diego, Calif.

The Stritzinger Baking Co., Norristown, Pa., an unincorporated firm, was purchased by G. G. Barber and held for the Continental until the incorporation of the Continental Baking Co., September 17, 1925, when the physical assets and business were transferred to this corporation. Its entire capital stock of 3,350 shares is owned by the Continental Baking Corporation.

In Canada the Continental has acquired five baking companies operating nine bakeries in eight cities.[12] The stock of these companies is held by Northern Bakeries (Ltd.), Montreal, whose stock in turn is owned by the Continental.[13]

TABLE 48.—*Bakeries of the Continental Baking Corporation, by States, and cities, with operating company [1] and bakery name, 1926*

UNITED STATES

State and city	Operating company	Bakery name
Arkansas: Little Rock	Campbell Baking Co	Campbell Baking Co.
California:		
Berkeley	R. B. Ward & Co. (Inc.)	R. B. Ward & Co. (Inc.).
Beverly Hills	Standard Bakeries Corporation	Pacific-Beverly Hills Bakery (Holsum Bakery).
LongBeach	do	Long Beach Bakery.
Los Angeles	do	Pacific-Los Angeles Bakery.
Do	R. B. Ward & Co. (Inc.)	R. B. Ward & Co. (Inc.).
Sacramento	Perfection Bread Co	Perfection Bread Co.
San Diego	R. B. Ward & Co. (Inc.)	R. B. Ward & Co. (Inc.).
Colorado:		
Denver	Standard Bakeries Corporation	Denver Bread Bakery.
Pueblo	do	Purity Bread Bakery.
Connecticut:		
Bridgeport	Massachusetts Baking Co	Borck & Stevens Bakery.
Hartford	do	Chaney Bakery.
Do	do	New England Bakery Co.
New Haven	do	New England Bakery Co. (Gilbert Bakery).
Do	do	Emanuelson Bakery (Blanchard Baking Co.)
Waterbury	do	Raymond Bros. Bakery.
District of Columbia:		
Washington	Corby Baking Co. (Inc.)	Corby Baking Co. (Inc.).
Do	do	Havenner Bakery.
Illinois:		
Chicago	Livingston Baking Co	Livingston Baking Co.
Do	do	Do
Do	do	Do.
River Forest	Ward Bros. Co. (Inc.) [3]	Oak Park Bakery.
Indiana:		
Anderson	Taggart Baking Co	Taggart Baking Co.
Gary	Ward Bros. Co. (Inc.) [3]	Gary Bakery.
Hammond	Standard Bakeries Corporation	Calumet Bakery.
Indianapolis	Taggart Baking Co	Taggart Baking Co.
Iowa:		
Des Moines	Campbell Baking Co. [3]	Campbell Bread Co.
Sioux City	do.[3]	Metz Bakery.
Waterloo	do.[2 3]	Peerless Bakery.
Kansas:		
Topeka	do.[3]	The College Hill Bakery.
Wichita	do.[3]	Campbell Bread Co.
Louisiana: Shreveport	Campbell Baking Co. [3]	Campbell Baking Co.

[1] Unless otherwise noted the operating company is a subsidiary of the Continental Baking Corporation
[2] Bakery property leased.
[3] Subsidiary of the United Bakeries Corporation, which is a subsidiary of the Continental Baking Corporation.

[12] Press reports in 1927 show sale of these Canadian companies by the Continental.
[13] See Appendix Table 5 for list of subsidiary companies of the Continental as of May 15, 1926.

TABLE 48.—*Bakeries of the Continental Baking Corporation, by States and cities, with operating company and bakery name, 1926*—Continued

UNITED STATES—Continued.

State and city	Operating company	Bakery name
Massachusetts:		
Holyoke	Massachusetts Baking Co	Dietz Bakery.
Boston	do	Grocers Baking Co.
Fitchburg	do	Swanson Bakery.
Lawrence	do	New England Bakery Co. (Morin Bakery).
New Bedford	do	New England Bakery Co. (H. P. Dion Bakery).
Somerville	New England Bakery Co	New England Bakery Co.
Springfield	Massachusetts Baking Co	Dietz Bakery.
Do	do	New England Bakery Co. (Mansfield Bakery).
Michigan:		
Detroit	Mills Baking Co.[4]	Mills Baking Co.
Do	Wagner Baking Co	Wagner Baking Co.
Minnesota: Minneapolis	Occident Baking Co	Occident Baking Co.
Mississippi: Clarksdale	Crescent Baking Co.[2 3]	Crescent Baking Co.
Missouri:		
Kansas City	Campbell Baking Co.[3]	Campbell Baking Co.
St. Joseph	do.[3]	Staedtler Baking Co.
St. Louis	American Bakery Co.[3]	Hostess Cake Bakery.
Do	do.[3]	Welle-Boettler Bakery.
Do	do.[3]	Heydt Bakery.
Nebraska: Omaha	Standard Bakeries Corporation	Jay Burns Bakery.
New Jersey:		
Garfield	Consumers Baking Co	North Jersey Baking Co.
Hoboken	Continental Baking Co. (Inc.) (formerly Shults Bread Co.[3]	Schmalz Bakery.
Do	do.[3]	Hudson Bakery.
Paterson	Consumers Baking Co	The Consumers Baking Co.
New York:		
Brooklyn	Continental Baking Co. (Inc.) (formerly Shults Bread Co.[3]	Probst & Shoemaker Bakery.
Do	do[3]	Hildebrand Bakery.
Buffalo	Hall Baking Co.[4]	Hall Baking Co.
Do	Ward & Ward (Inc.) [3]	Ward & Ward (Inc.)
Jamaica	Continental Baking Co. (Inc.) (formerly Shults Bread Co.[3]	Jamaica Bakery.
Mount Vernon	do.[3]	Westchester Bakery.
New York	do.[3]	Bronx Bakery.
Do	do.[3]	Droeste Bakery.
Rochester	Ward Bros Co. (Inc.) [3]	Ward Bros. Co. (Inc.)
Utica	Crescent Baking Co.(Inc.) [3]	Crescent Baking Co. (Inc.)
West New Brighton	Continental Baking Co. (Inc.) (formerly Shults Bread Co.[3]	Richmond Bakery.
Ohio:		
Akron	Standard Bakeries Corporation	Akron Bakery.
Cincinnati	Ward Bros. Co. (Inc.) [3]	F. O. Stone Bakery.
Cleveland	Star Baking Co.[4]	Star Baking Co.
Do	do	Do.
Columbus	Ward Bros. Co. (Inc.) [3]	Holland Bakery.
Dayton	do.[3]	Krug Bakery.
Do	do.[3]	Holland-Dayton Bakery.
Toledo	do.[3]	Holland-Toledo Bakery.
Do	do.[3]	Hostess Cake Bakery.
Youngstown	do.[3]	Holland Bakery.
Oklahoma:		
Oklahoma City	Campbell Baking Co.[3]	Oklahoma Bread Co.
Tulsa	do.[3]	Middle West Baking Co.
Oregon: Portland	Log Cabin Baking Co	Log Cabin Baking Co.
Pennsylvania: Norristown.	Continental Baking Co	Stritzinger Bakery.
Tennessee: Memphis	Memphis Baking Co.[5]	Memphis Baking Co.
Texas:		
Dallas	Campbell Baking Co.[3]	Campbell Baking Co.
El Paso	El Paso Baking Co.[2 6]	El Paso Baking Co.
Utah:		
Ogden	Ogden Baking Co	Ogden Baking Co.
Salt Lake City	Butter-Krust Baking Co	Butter-Krust Baking Co.

[2] Bakery property leased.
[3] Subsidiary of the United Bakeries Corporation, which is a subsidiary of the Continental Baking Corporation.
[4] Subsidiary of the United Retail Bakeries (Inc.), which is a subsidiary of the Continental Baking Corporation.
[5] Subsidiary of the Memphis Baking Co., which is a subsidiary of the United Bakeries Corporations, which is a subsidiary of the Continental Baking Corporation.
[6] Subsidiary of the Standard Bakeries Corporation, which is a subsidiary of the Continental Baking Corporation.

TABLE 48.—*Bakeries of the Continental Baking Corporation, by States and cities, with operating company and bakery name, 1926*—Continued

UNITED STATES—Continued

State and city	Operating company	Bakery name
Virginia: Richmond	Corby Baking Co. (Inc.)	Corby Baking Co. (Inc.).
Washington:		
Seattle	Washington Bakeries Corporation	National Baking Co.
Do	do	Hostess Cake Bakery.
Spokane	Spokane Bakery Co	Spokane Bakery Co.
West Virginia:		
Huntington	Stroehmann Baking Co.[3]	Stroehmann Baking Co.
Wheeling	do.[3]	Do.
Wisconsin: Milwaukee	Atlas Bakeries (Inc.) [2 3]	Atlas Bakeries (Inc.).

CANADA

Province and city	Operating company	Bakery name
Ontario:		
Hamilton	Ideal Bread Co. (Ltd.) [7]	Ideal Bread Co. (Ltd.).
London	Neal Baking Co. (Ltd.) [7]	Neal Baking Co. (Ltd.).
St. Thomas	do.[7]	Do.
Sarnia	do.[7]	Do.
Toronto	Ideal Bread Co. (Ltd.) [7]	Ideal Bread Co. (Ltd.).
Windsor	Neal Baking Co. (Ltd.) [7]	Neal Baking Co. (Ltd.).
Quebec:		
Montreal	James M. Aird (Ltd.) [7]	James M. Aird (Ltd.).
Do	James Strachan (Ltd.) [7]	James Strachan (Ltd.).
West Mount	Dent Harrison & Sons (Ltd.)[7]	Dent Harrison & Sons (Ltd.).

[3] Bakery property leased.
[2] Subsidiary of the United Bakeries Corporation, which is a subsidiary of the Continental Baking Corporation.
[7] Subsidiary of the Northern Bakeries (Ltd.), Canada, which is a subsidiary of the Continental Baking Corporation.

Section 6. Origin of data on extent of competition.

Examination of the list of bakeries acquired by the Continental Baking Corporation through its acquisition of the stock of the several operating companies (see pp. 259–262) shows the relative proximity to one another of many of the bakeries operated by different companies. These bakeries were shipping considerable distances prior to their acbuisition, and it appeared likely that not only were their products entering into overlapping territory, but across State lines into the same localities and into actual competition. This is geographically shown by the map facing page 262 which gives the location of these bakeries of the several consolidating companies and the points served by them. The number of bakeries thus acquired which appeared to have been in competition was the matter that challenged attention rather than the magnitude of the new company's operations. In the complaint ordered by the commission, on March 23, 1925, against the Continental Baking Corporation it was charged with the acquisition of the capital stock of certain competing baking corporations in violation of section 7 of the Clayton Act. In order to appreciate the meaning and value of data bearing on extent of competition, it is necessary to note certain provisions of this law and certain additional facts concerning the organization of the consolidation. The pertinent portions of section 7 are as follows:

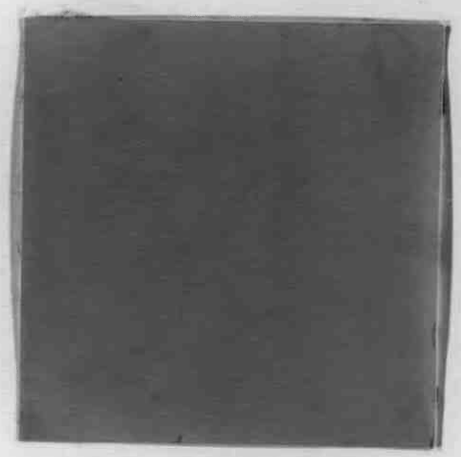
SEC. 7. That no corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital of another corporation engaged also in commerce, where the effect of such acquisition may be to substantially lessen competition between the corporation whose stock is so

REDUCTION RATIO 27:1

PM-MLA$_1$ 32″x45″
METRIC LARGE AREA
PHOTOGRAPHIC TARGET
(MYLAR)

A1

A2



A2

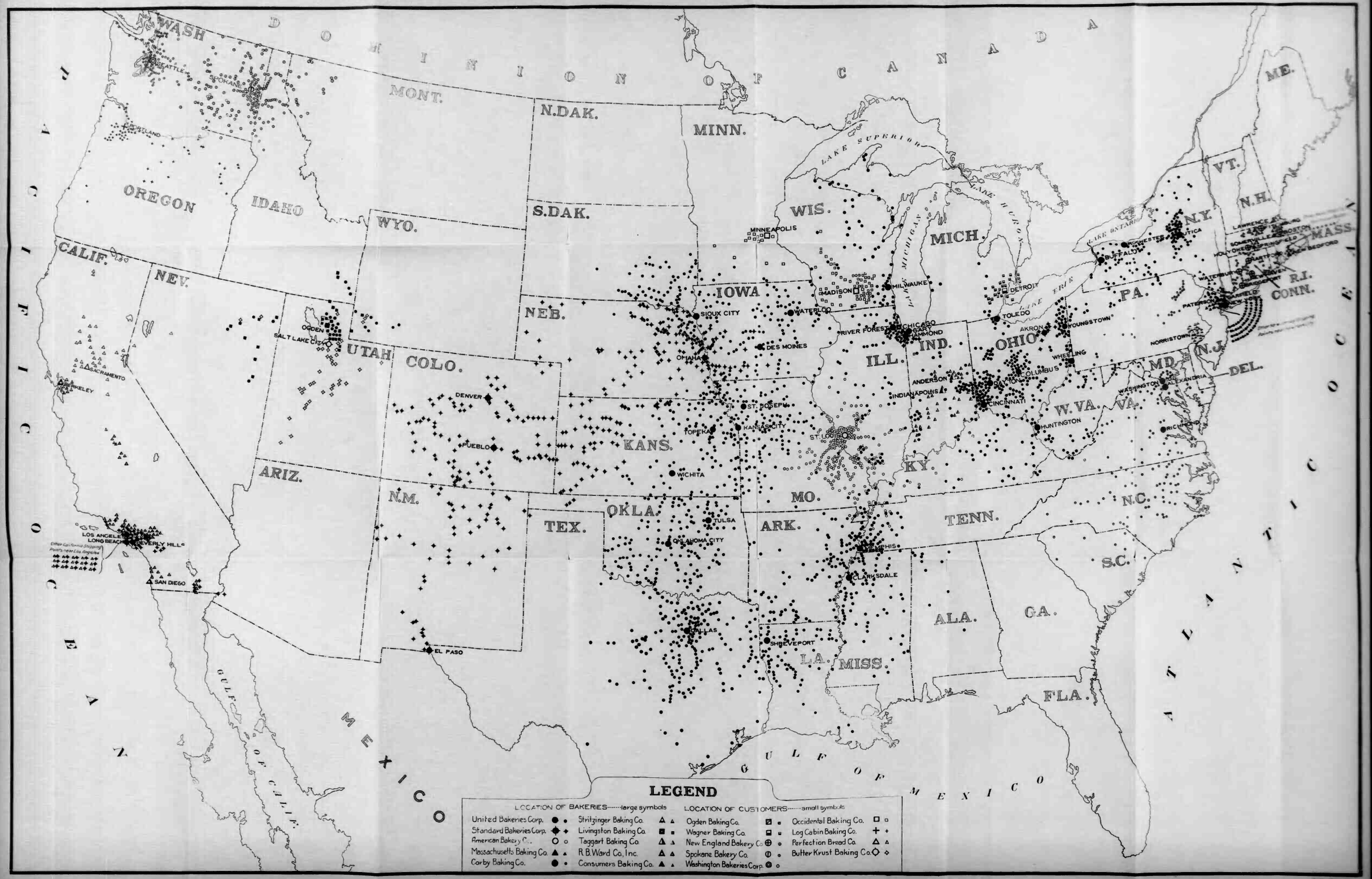
A1

250 mm.

500 mm.

Map 1 - LOCATION OF BAKERIES IN THE UNITED STATES

AND POINTS SERVED FOR COMPANIES SUBSEQUENTLY CONSOLIDATED IN CONTINENTAL BAKING CORPORATION, 1924.



LEGEND

LOCATION OF BAKERIES ..... large symbols

LOCATION OF CUSTOMERS ..... small symbols

United Bakeries Corp.	Stritzinger Baking Co.	Ogden Baking Co.	Occidental Baking Co.
Standard Bakeries Corp.	Livingston Baking Co.	Wagner Baking Co.	Log Cabin Baking Co.
American Bakery C..	Taggart Baking Co.	New England Bakery Co.	Perfection Bread Co.
Massachusetts Baking Co.	R.B. Ward Co., Inc.	Spokane Bakery Co.	Butter Krust Baking Co.
Corby Baking Co.	Consumers Baking Co.	Washington Bakeries Corp.	

REDUCTION RATIO 12:1

2.0 mm ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

1.5 mm ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

PM-MGP 13″x18″
METRIC GENERAL PURPOSE TARGET
PHOTOGRAPHIC

150 mm

100 mm

1.0

1.1

1.25

1.4

1.6

1.8

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

1.0 mm

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890

1.5 mm

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890

2.0 mm

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890

2.5 mm

A5

A4

PRECISION℠ RESOLUTION TARGETS

Century

A&P

1303 Geneva Avenue
St. Paul, MN 55119

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890

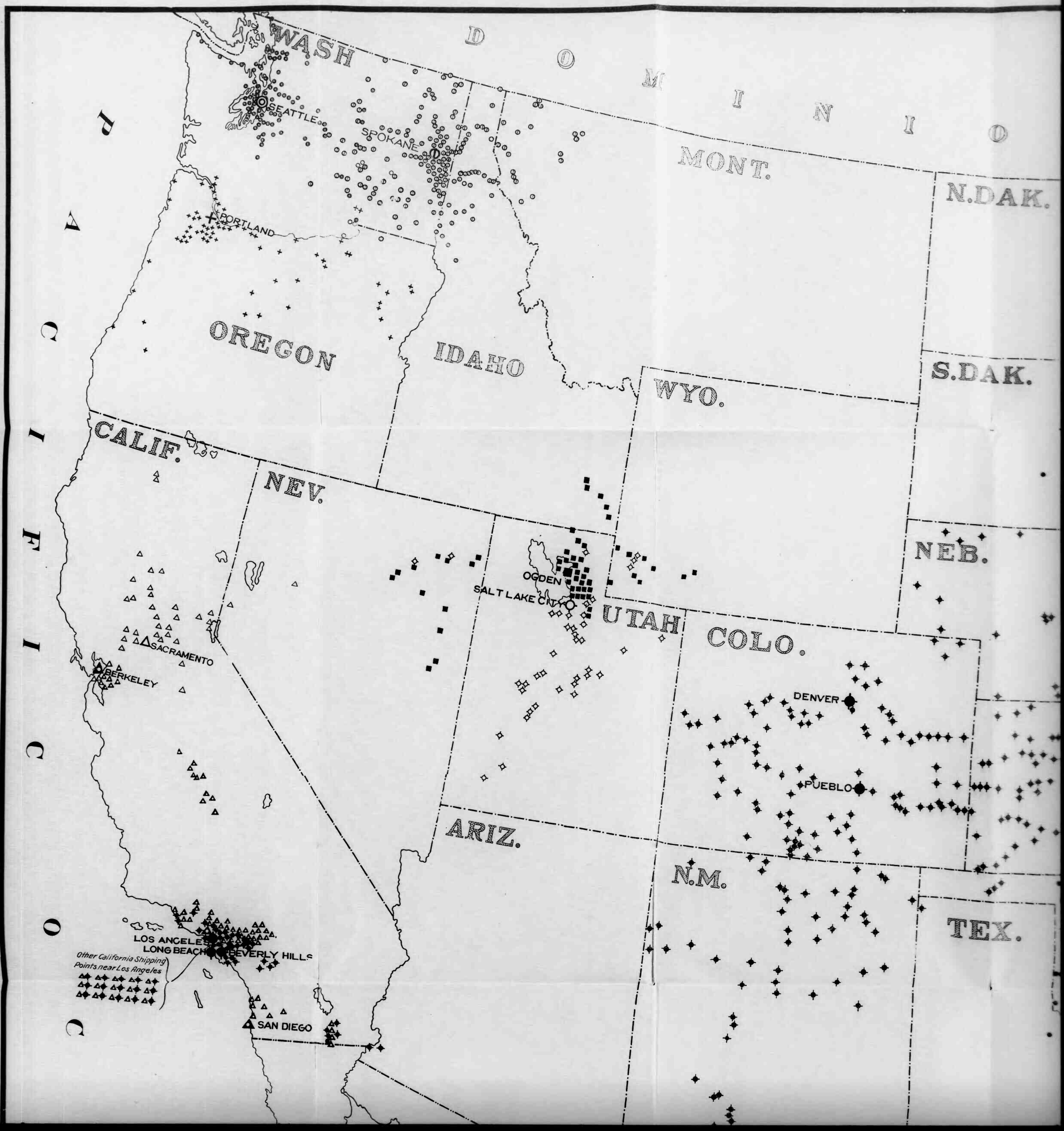
4.5 mm

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

3.5 mm

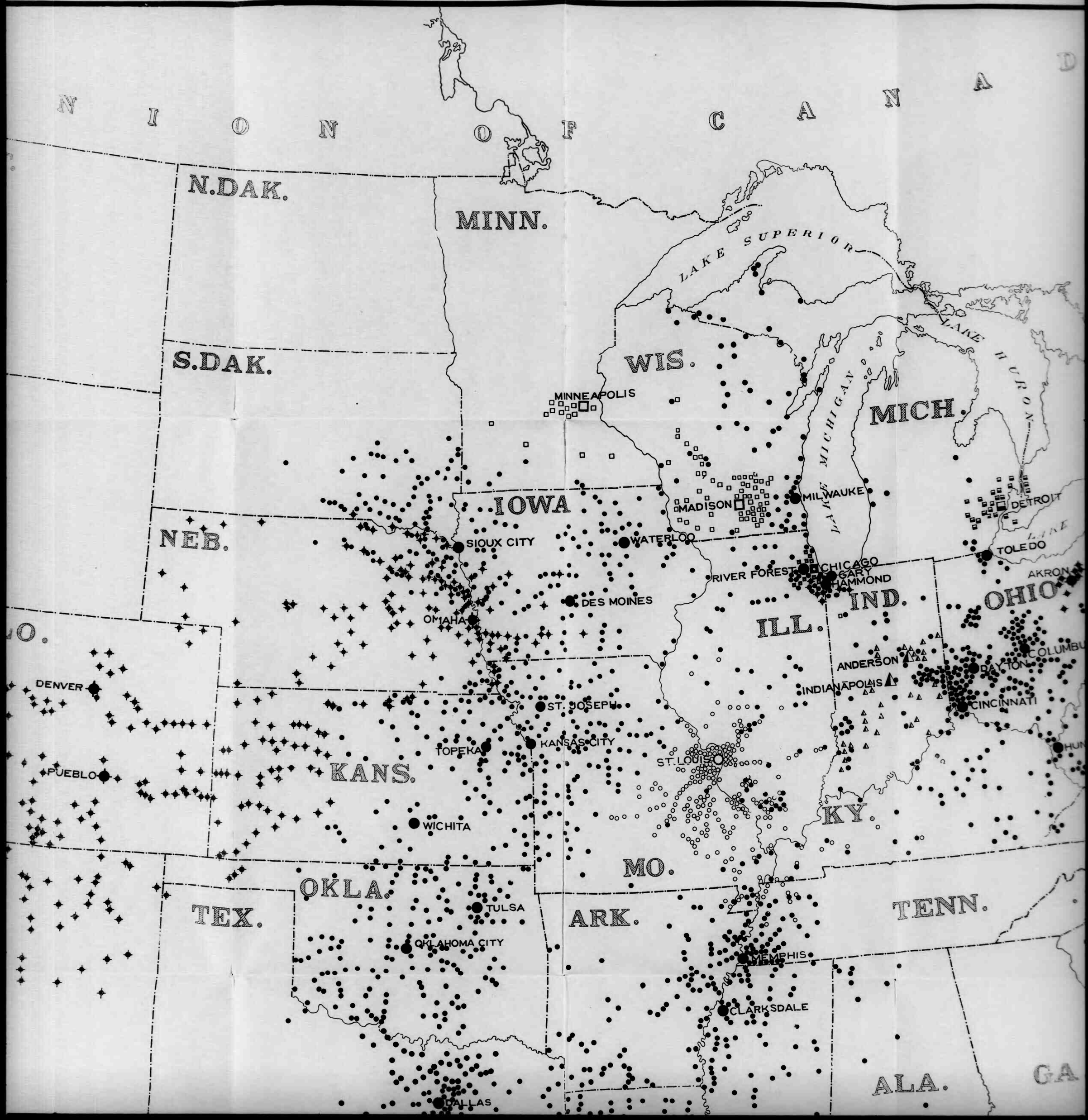
Map 1 – LOCATION OF

AND POINTS SERVED FOR COMPANIES SUBSE



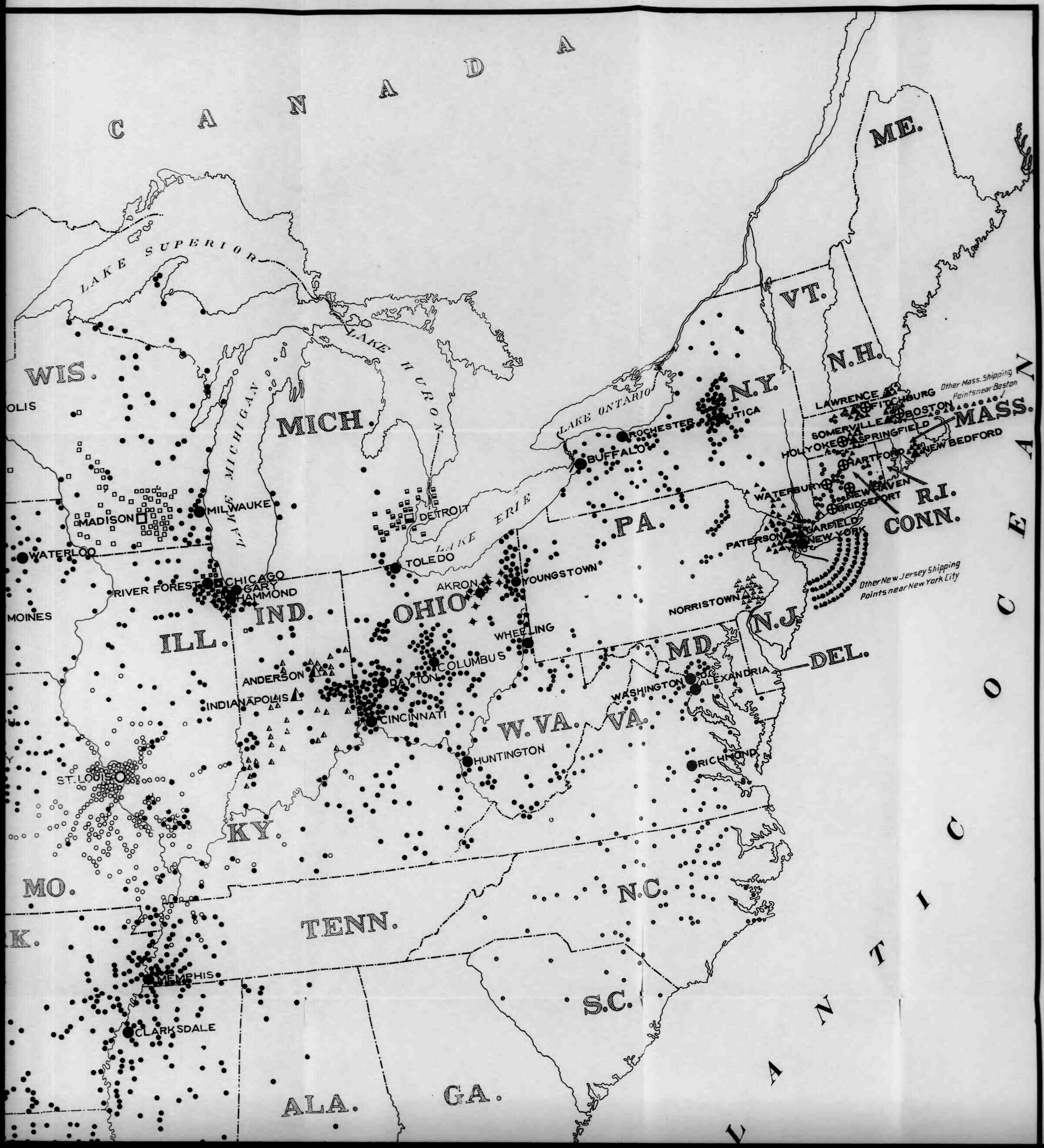
Map 1 – LOCATION OF BAKERIES IN THE UNITED STATES

D FOR COMPANIES SUBSEQUENTLY CONSOLIDATED IN CONTINENTAL BAKING CORPORATION, 192



UNITED STATES

CONTINENTAL BAKING CORPORATION, 1924.



CALIF.

NEV.

UTAH

COLO.

NEB.

ARIZ.

N.M.

TEX.

OGDEN

SALT LAKE CITY

SACRAMENTO

BERKELEY

LOS ANGELES

LONG BEACH

BEVERLY HILLS

Other California Shipping Points near Los Angeles

SAN DIEGO

DENVER

PUEBLO

EL PASO

PACIFIC OCEAN

GULF OF CALIF.

MEXICO

LOCATION OF BAKERIES

United Bakeries Corp.

Standard Bakeries Corp.

American Bakery Co.

Massachusetts Baking Co.

Corby Baking Co.

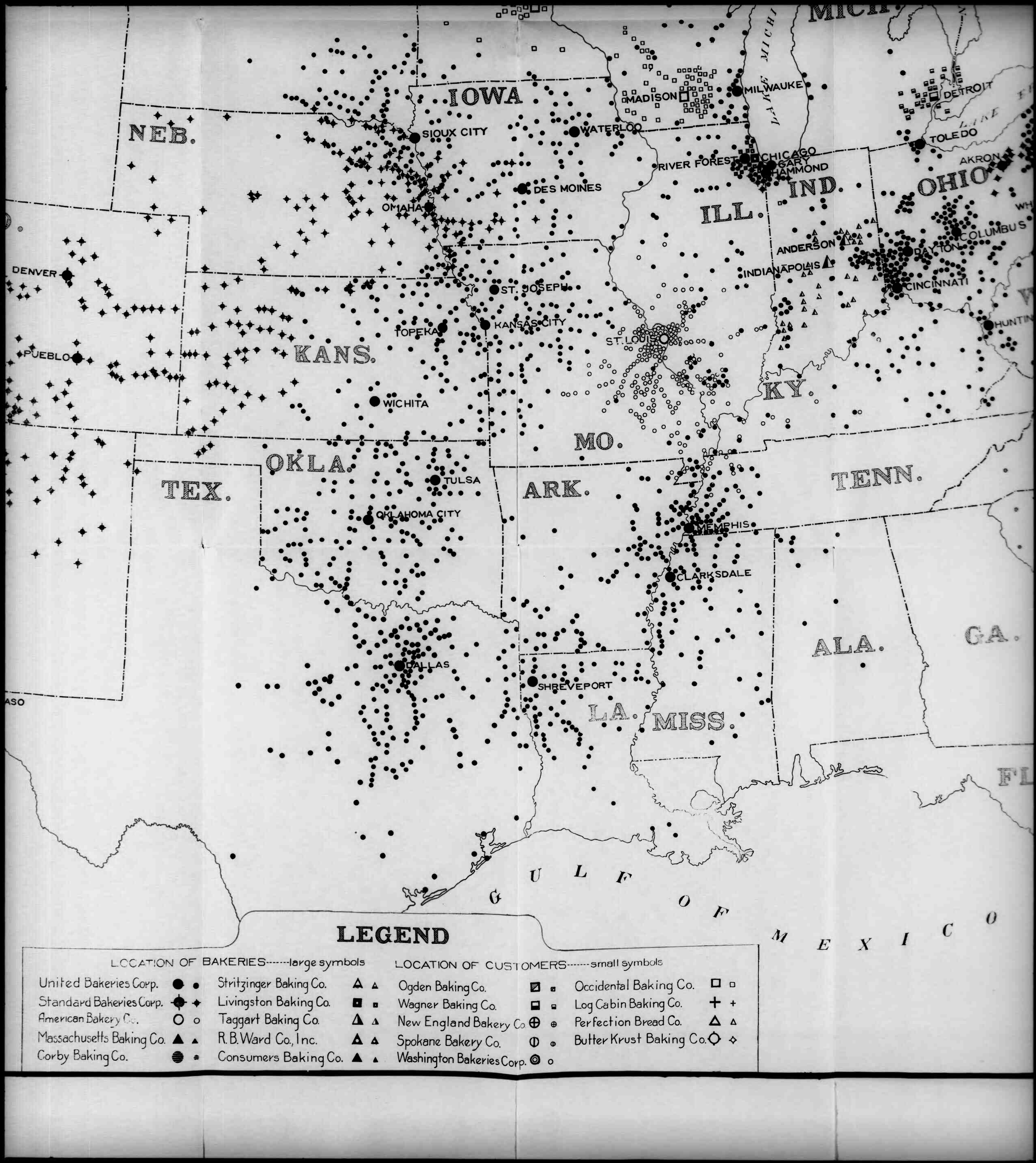
Stritzing

Livingsto

Taggart

R.B. War

Consum


IOWA
NEB.
SIOUX CITY
WATERLOO
MADISON
MILWAUKE
DETROIT
TOLEDO
CHICAGO
GARY
HAMMOND
RIVER FOREST
DES MOINES
OMAHA
ILL.
IND.
OHIO
AKRON
COLUMBUS
DAYTON
ANDERSON
INDIANAPOLIS
CINCINNATI
DENVER
ST. JOSEPH
KANSAS CITY
TOPEKA
ST. LOUIS
PUEBLO
KANS.
WICHITA
KY
MO.
OKLA.
TEX.
TULSA
ARK.
TENN.
OKLAHOMA CITY
MEMPHIS
CLARKSDALE
ALA.
GA.
DALLAS
SHREVEPORT
LA.
MISS.
GULF OF MEXICO
LEGEND
LOCATION OF BAKERIES------large symbols
LOCATION OF CUSTOMERS------small symbols
United Bakeries Corp.
Standard Bakeries Corp.
American Bakery Co.
Massachusetts Baking Co.
Corby Baking Co.
Stritzinger Baking Co.
Livingston Baking Co.
Taggart Baking Co.
R.B. Ward Co., Inc.
Consumers Baking Co.
Ogden Baking Co.
Wagner Baking Co.
New England Bakery Co.
Spokane Bakery Co.
Washington Bakeries Corp.
Occidental Baking Co.
Log Cabin Baking Co.
Perfection Bread Co.
Butter Krust Baking Co.

MICH.
LAKE MICHI
LAKE ERIE
ROCHESTER
BUFFALO
SOMERVILLE
HOLYOKE
SPRINGFIELD
NEW BEDFORD
HARTFORD
WATERBURY
NEW HAVEN
BRIDGEPORT
R.I.
CONN.
MADISON
MILWAUKE
DETROIT
WATERLOO
TOLEDO
PA.
GARFIELD
PATERSON
NEW YORK
Other New Jersey Shipping Points near New York City
CHICAGO
RIVER FOREST
GARY
HAMMOND
AKRON
YOUNGSTOWN
NORRISTOWN
MOINES
IND.
OHIO
ILL.
WHEELING
N.J.
MD.
DEL.
COLUMBUS
ANDERSON
DAYTON
WASHINGTON D.C.
ALEXANDRIA
INDIANAPOLIS
CINCINNATI
W. VA.
VA.
HUNTINGTON
RICHMOND
ST. LOUIS
KY.
MO.
N.C.
TENN.
MEMPHIS
S.C.
CLARKSDALE
ALA.
GA.
EVEPORT
LA.
MISS.
FLA.
ATLANTIC OCEAN
GULF OF MEXICO

S------small symbols

Occidental Baking Co.	□ ▫
Log Cabin Baking Co.	+ +
Perfection Bread Co.	△ ▵
Butter Krust Baking Co.	○ ◦

acquired and the corporation making the acquisition, or to restrain such commerce in any section or community, or tend to create a monopoly of any line of commerce.

No corporation shall acquire, directly or indirectly, the whole or any part of the stock or other share capital of two or more corporations engaged in commerce where the effect of such acquisition, or the use of such stock by the voting or granting of proxies or otherwise, may be to substantially lessen competition between such corporations, or any of them, whose stock or other share capital is so acquired, or to restrain such commerce in any section or community, or tend to create a monopoly of any line of commerce.

In the Continental Baking Corporation consolidation all of the bakeries under its control are being operated by incorporated companies whose stock it has acquired and is now holding either directly or indirectly. The stocks of two groups of operating companies were acquired and are now held by the Continental indirectly, that is, through the acquisition of the stocks of two holding companies which hold the stocks of the operating companies. These two companies are United Bakeries Corporation and United Retail Bakeries (Inc.). In addition one of the operating companies whose stock is held by United Bakeries Corporation, viz, Memphis Baking Co., also holds the stock of another operating company, Crescent Baking Co., of Mississippi; and one of the operating companies whose stock is directly held by the Continental, viz, Standard Bakeries Corporation, also holds the stock of another operating company, El Paso Baking Co. In the case of only one bakery, the Stritzinger, according to the information of the commission, was the plant bought outright by the operating company, rather than through the purchase or exchange of stock.

Almost all of the operating companies whose stocks were acquired by the Continental were, prior to their acquisition, engaged in interstate commerce; that is, were either buying or selling across State lines. With the possible exception of eight of these operating companies, all had been selling some of their bakery products outside of the State of production. Practically all of the companies were purchasing from out of the State flour and other ingredients in considerable quantities for making bread.

Following the issuance of the complaint on April 10, 1925, the capital stocks of additional baking companies were acquired by the Continental and on December 19, 1925, a new complaint which included these companies was issued and served simultaneously with the order dismissing the first complaint.

On February 8, 1926, the taking of testimony began in New York City, and Mr. Barber, then chairman of the board of the Continental was requested to furnish certain data concerning the nature and volume of business transacted by the corporation whose stock the Continental had acquired. Certain data, described below, were supplied in response to this request in March, 1926.

They were originally in possession of the commission for a brief time while testimony was being taken, but comprehensive abstracts were made of the more essential facts for use in the proceedings. On April 2, however, the commission voted to dismiss its complaint against the Continental and on April 7 the formal order of dismissal was made.

Section 7. Nature of the data on competition supplied by the Continental.

While the commission's complaint against the Continental Baking Corporation was pending, the company, in February, 1926, sent sched-

ule blanks to the managers of its various bakeries. The schedule, which was devised by the Continental company, called for the names of all points outside of the State in which one of its bakeries was located where it sold bread or cake, for both the week ending February 6, 1926, and the week immediately prior to the acquisition of the company operating the bakery, with the amount of sales of such bread and cake at each point. The schedule also called for names of all points within or without the State in which a Continental bakery was located where sales of bread or cake were made by the bakery and where bread or cake sales were made by any other Continental bakery for the week ending February 6, 1926, and also for a full month about six months prior to date of acquisition, together with the amount of average weekly sales of each, bread and cake, made at each point and with the name of the competing bakery. The sales were to be classified into route sales, sales of shipments by company's employees, and sales of shipments by independent agents. A grand total of all sales of bread and cake for each bakery for the week prior to date of acquisition of the company and the week ending February 6, 1926, was also called for.

As already noted, the schedules were in the possession of the commission for only a brief time while testimony was being taken in connection with the complaint, but in November, 1926, a request was made in connection with this inquiry for a further examination of the original schedules. After long negotiation and considerable delay they were furnished by the company, with the exception chiefly of the sheets showing intrastate sales, and were compared with the abstracts previously made. This comparison showed the substantial completeness and accuracy of the abstracts, and use was made of these where schedules were lacking.

In the commission's endeavor to employ for the purposes of this report the sales shown in the schedules as a measure of the competition prevailing between Continental companies prior to their acquisition, great difficulty has been experienced because of the noncontemporaneous character of elements essential to a comparison of competing with total sales and because of other inadequacies of the material. These are set out more fully in the footnote below.[14]

[14] (1) The period (one month about six months prior to acquisition of company) covered by the reported sales designed to show the points at which competition prevailed is too short. The partial sales (interstate only) for another much briefer but later period indicate many additional points where competing sales were being made.

(2) Instead of requesting the report of sales at all points for the period used to show the extent of competition, reliance was placed upon the information of the bakery manager as to whether sales were made at any of his selling points by another Continental company during a period from 12 to 20 months prior to date of making the schedule.

(3) Since the dates of acquisition of the various companies covered a period of about six months from November, 1924, to May, 1925, the sales for competing companies were seldom returned for the same periods, and, even for different bakeries of the same company, the sales were often for different periods.

(4) Frequently a bakery manager reported sales as having been made in competition with another Continental company without reporting the name of the company, or, if the name, without the location of the bakery. Consequently, it was found difficult in some cases to determine the character of the competition on the basis of the nature of both competing sales.

(5) Neither a total of all sales nor of all interstate sales for the period used to show competition was requested of bakery managers by the company. Consequently it is not possible to compare for the same period the bakery's reported competing sales with its total sales or its total interstate sales.

(6) In order to supplement the sales data of the schedule designed to show the extent of competition, endeavor was made by the commission to use the sales reported for the week prior to the acquisition of the company. These sales, however, while they included all interstate sales, did not include intrastate sales by localities. Neither were the sales made in competition with another Continental company identified by the bakery manager as such. Consequently, it was not possible to ascertain the points of competition where one sale only or both sales were intrastate.

(7) While the schedule secured a total of all sales and a total of all interstate sales of each bakery for the week prior to acquisition, the competing sales for this period were not adequate for a comparison.

In view of these inadequacies of the material, its presentations in any form would appear to understate the actual competition prevailing between the companies prior to their acquisition by the Continental. It was tabulated, however, for presentation in the preliminary report (Bakery Combines and Profits, February 9, 1927), but the Continental Baking Corporation was requested to furnish additional statistical material of a similar but more comparable character for this the final report. The company, however, refused the request on the ground that it was impracticable to furnish it.

Section 8. General tabulation of data on competition.

The original data on competition referred to above were contained in 84 sworn returns from officers of the several bakeries, each consisting of several pages of matter in the form of answers to questions. These data are tabulated in Tables 2 to 4 in the appendix of the preliminary report referred to above, which are believed to show substantially all the material facts as to competition contained in the returns.

Tables 2 and 3 are compiled in a form to show where competition existed, or was reported to have existed, either in interstate or intrastate commerce, together with the amount of sales of bread and of cake involved in such competition. Thus the tables show the name of the company operating a given bakery, the location of the bakery, the point of competing sales, the class of sales (or method of selling), the amounts of bread sales and of cake sales in competition, and the periods during which such sales were made, namely, either during the week prior to acquisition or during a month about six months before acquisition. For the week prior to acquisition the competing sales shown for the place mentioned are interstate sales only, because only such sales were reported for this period, but for the month about six months prior to acquisition the sales might be either interstate or intrastate. Moreover, such sales have been tabulated whether the periods of sale for the two competing bakeries were identical or not. This was done in order that these tables should not omit any fact which might be deemed pertinent, but the reported date of each sales period is noted. In certain instances data were available for bread sales by one Continental company at a certain point and of cake sales by another Continental company at the same point. Such sales have also been set down in the table in order to indicate the possibility of potential competition of this character.

The tables also contain detailed notes which when read with the table serve to make clearer the character and extent of the competition shown. Table 2 gives the local sales that were competitive with respect to interstate business, taking either both bakeries or one only, while Table 3 gives similar data for sales that were competitive where both bakeries were selling in intrastate commerce with respect to the specified place.

These two appendix tables do not show, however, the total sales or the total of the interstate sales of these several companies included in the Continental consolidation. Hence, while a cursory examination shows the existence of some competition at many points, the magnitude of such competition, especially in relation to the total business or the interstate business of the several companies or of the Conti-

nental consolidation is not shown. Such evidence as exists on this point is presented in appendix Table 4 of the preliminary report referred to above.

The data available for this table are quite unsatisfactory and, as already stated, the Continental company was asked to furnish additional data which would afford an adequate basis for a comparison of competing sales with the total sales of the company. The chief defect of this information with respect to this point is that the information for total sales, or for the total interstate sales, relates in the case of each company to the business for the week prior to acquisition by the Continental and not to the month about six months prior to acquisition for which period the competitive sales were reported. It is apparent that changes in the extent either of total business or of interstate business only might occur which would vitiate any attempt to calculate the proportion of such competing business by comparing figures for these two periods.

The actual compilation of data demonstrates this to be a fact by showing for a few companies that total competing sales or competing sales in interstate trade, reckoned on this basis, would be more than the total sales or interstate sales. No such absurdity exists if the total figures of the Continental consolidation are taken, but the results can not be regarded as even an approximate determination of the real proportions without further information. The tabulation was given, however, as already stated, in order, first, to show the unsatisfactory character of the information, and, second, to disclose the results for whatever value they may be supposed to have as indicating the probable proportion of competition affected by the consolidation.

One of the ratios shown in this table is not injuriously affected because the data available for comparison are contemporaneous. The figures relate to the proportion of all interstate business to the total business. The total bread sales of all the companies of the consolidation for the week prior to acquisition were $1,064,309.70, while the total interstate sales for the same period were $89,244.78, or 8.4 per cent. The corresponding proportion for cake was 19.7 per cent. Taking particular companies of the Continental, the proportion of interstate bread sales to total bread sales ranged from 52.9 per cent for the Stroehmann Baking Co. to three-tenths of 1 per cent for Perfection Bread Co., while several companies had no interstate bread sales at all. For cake the range was even wider. These figures, however, merely show the proportion of interstate business and not the proportion of competitive interstate business.

The comparison of total competitive business with the total for all business of the consolidation, taking the two different periods, for bread works out to 9.1 per cent and for cake to 6.8 per cent, but it is doubtful how much reliance should be placed on these ratios, because the elements of the comparisons are not contemporaneous. In the same way the proportion of interstate competitive business to the total for all interstate business, taking the two different periods, works out to 13.8 per cent for bread and 14.4 per cent for cake; but here again it is doubtful how much reliance should be placed on these ratios for the same reason, because the elements of the comparisons are not contemporaneous.

As already noted above, however, immediately on the completion of the tabulations described above and the demonstration of their inadequacy for the purposes of the inquiry, a request was made of the Continental Baking Corporation for the necessary additional information and this request was refused.

Section 9. The interlocking of interests in baking consolidations.

Imposing as is the size of the baking consolidations described above, their relations to one another were even more significant. At one time or another the three largest of these consolidations have been affiliated through a community of stock ownership and of organizing personnel and through close association of managing personnel, though they nominally are, and may be presumed by the public to be, entirely separate and competing interests.

ORGANIZATION

In organization the Ward Baking Corporation, the Continental Baking Corporation, and the General Baking Corporation have a common parentage. All of these corporations are apparently the creations of W. B. Ward, who promoted them either directly or through a competent subordinate, as recited in sections 3 to 5 above. In the case of the Ward Baking Corporation Mr. Ward himself was the promoter. In the case of the Continental the promotion was delegated to G. G. Barber, for years prior thereto a trusted employee in Mr. Ward's enterprises. The promotion of the General Baking Corporation was intrusted to Paul H. Helms, long associated with Mr. Ward as an official in his companies.

The three corporations are all chartered under the laws of Maryland. The certificates of incorporation are very similar, and the sections which cover the objects and powers of the corporation are word for word in the same language. The names of the subscribers in the certificates are the same for the three, except that one name appears in the Ward certificate which does not appear in the other two. The Maryland agent and office are the same for the three companies. The forms and methods used by these holding companies in acquiring new companies are identical.

The Continental Baking Corporation, the General Baking Corporation, and W. B. Ward all had at the time of the General's organization offices in the same building and kept in close touch with each other. They were advised by the same legal firm. The minute books of these corporations were in the charge of the same attorney and resolutions covering similar transactions were framed in the same language and appear in different books with only changes in names and figures.

PERSONNEL

Each of the three corporations is or has been officered by men who have been more or less closely associated with officials of the other corporations or with W. B. Ward in other baking enterprises in the past. Many of these men have been officials at different times of two or more of the three corporations or their subsidiaries.

W. B. Ward was a member of the board of Ward Baking Co. for many years after its organization in 1912. He was the promoter of United Bakeries Corporation, the largest of the companies owned

by the Continental, and was the first chairman of its board of directors. In 1923 he was promoter and first president of the Ward Baking Corporation. He was chiefly responsible for the promotion of the Continental Baking Corporation in 1924, and of the General Baking Corporation in 1925. It is significant that in recent years he holds no office in any of the three corporations.

H. B. Ward, a brother of W. B. Ward, has been associated with the latter in many of his enterprises since 1912, and is now vice president of the Continental.

G. B. Smith, now president of the Ward Baking Corporation, was chairman of the board of directors of United Bakeries Corporation following W. B. Ward, and assisted in the organization of the Continental.

G. G. Barber has been associated for many years with Mr. Ward in his various baking companies. He was connected with Ward & Ward (Inc.), Buffalo, N. Y. In 1917 he became assistant secretary-treasurer of Ward & Ward (Inc.), and Ward Bros. (Inc.). In 1921 he held the office of secretary-treasurer in the United Bakeries Corporation. In 1924 he effected the organization of the Continental and was until recently chairman of the board of directors of that company.

J. M. Barber, brother of G. G. Barber, has been officially connected with Ward Baking Co. for several years, and is now secretary-treasurer of Ward Baking Co. and assistant treasurer of Ward Baking Corporation.

Paul H. Helms has for many years been associated with W. B. Ward. In 1914–1924 he was secretary-treasurer of Hall Baking Co., and in 1920–1924 was its president. In 1924 he became secretary-treasurer of the Ward Baking Corporation. In 1925 he promoted the organization of the General Baking Corporation, and was for a time its president.

R. E. Peterson was an accountant in the general office of Ward Baking Co., 1916–1920; its auditor, 1920–1922; and its assistant treasurer, 1922–1925. Following the organization of the general Baking Corporation he became secretary-treasurer in that company and assistant secretary-treasurer in General Baking Co.

INTERLOCKING OF STOCK

Stock lists of the three corporations dated October 31, 1925, show that of the 14 men who were then officers and directors of the Ward Baking Corporation, 6 owned stock in all three corporations, the holdings in General and Continental being on the whole as important as in Ward. Of the 14, 7 held in both Ward and General, 10 in both Ward and Continental, and 7 in both General and Continental. Six of the eight officers and directors of the Continental having holdings in the Continental had holdings also in the General, and one had holdings in the three corporations.

Frequently the stock holdings of an officer or director were much larger in one or both of the corporations in which he held no office

than in the one of which he was an officer. In some cases the officer or director had no holdings in his own corporation, but had in one or both of the others.

Aside from these cases where officers and directors had stock holdings in two or all of the three corporations, there were, of course, many other important cases of similar interlocking stock ownership.

The Ward Foundation Corporation, incorporated under the laws of the State of New York, February 15, 1924, and having capital stock of 7,000 shares, no par value, is entirely owned by W. B. Ward. On December 31, 1924, it owned important stock holdings in the Ward Baking Corporation and the Continental Baking Corporation, and a small block of each common and preferred in the Southern Baking Co.

Through the Ward Foundation's holdings and by his own holdings Mr. Ward was at the close of 1924 the largest single owner of stock in the Ward Baking Corporation, which is a holding company and completely controls among other companies the Ward Baking Co., operating all of the Ward Corporation bakeries.

Through the Ward Foundation's interest and by direct holdings, Mr. Ward was on December 31, 1924, by far the largest single holder in the Continental Baking Corporation, holding at that date in his own name and that of the foundation 21 per cent of the voting stock then outstanding. No other single holder had as much as 5 per cent of the outstanding voting stock.

As shown on pages 237–242, the General Baking Corporation was organized in 1925 by W. B. Ward and his associates. For a time all or a considerable part of the class of stock having exclusive voting rights was held by Mr. Ward. This corporation acquired and now holds the majority of the voting stock and controls all of the activities of both the General Baking Co. and the Smith Great Western Corporation.

Thus it is that the most important single controlling interest, through ownership of voting stock, in the three largest baking consolidations in the country—together now operating 151 bakeries in the United States, with approximately 20 per cent of the commercial bread production of the country and a much larger per cent of the wholesale production and a large cake production—centered early in 1925 largely in one individual and his associates.[15] This percentage of bread production for many localities would far exceed that for the country as a whole. Moreover, in many cities two or more of these consolidations have baking plants which to the public are full competitors, but which in large measure may have been controlled by an identical interest.

The following is a list of cities in which are located wholesale bakeries owned and operated by two or more of the Ward, General and Continental companies. Hundreds of other towns are each served by two or more of these bakeries.

[15] Whether compliance with the terms of consent decree (see pp. 272–273) has changed the situation here described is not known by the commission.

LOCATION OF BAKERIES AND NAMES OF COMPANIES

Baltimore, Md.: Ward, General.
Boston, Mass.: Continental, General.
Brooklyn, N. Y.: Ward, Continental, General.
Buffalo, N. Y.: Continental, General.
Chicago, Ill.: Ward, Continental.
Cleveland, Ohio: Ward, Continental, General.
Columbus, Ohio: Ward, Continental.
Detroit, Mich.: Ward, Continental, General.
Hartford, Conn.: Continental, General.
Kansas City, Mo.: Continental, General.
New Haven, Conn.: Continental, General.
Newark, N. J.: Ward, General.
New York, N. Y.: Ward, Continental, General.
Oklahoma City, Okla.: Continental, General.
Providence, R. I.: Ward, General.
Rochester, N. Y.: Continental, General.
St. Louis, Mo.: Continental, General.
Springfield, Mass.: Continental, General.
Syracuse, N. Y.: Ward, General.
Toledo, Ohio: Continental, General.
Tulsa, Okla.: Continental, General.
Washington, D. C.: Continental, General.
Waterbury, Conn.: Continental, General.
Wheeling, W. Va.: Continental, General.
Wichita, Kans.: Continental, General.
Younsgtown, Ohio: Ward, Continental.

Section 10. Ward Food Products Corporation.

ORGANIZATION OF THE COMPANY

On January 30, 1926, W. B. Ward caused to be chartered, under the laws of the State of Maryland, Ward Food Products Corporation, with an authorized capital stock of 20,000,000 shares, without par value, of which 10,000,000 shares were 7 per cent cumulative preferred and 10,000,000 common. All shares had equal voting rights.

This charter authorized it to produce, raise, manufacture or otherwise acquire, prepare for market, sell, import, export, distribute, and generally deal in food and food products and by-products thereof of every class and description; and articles, materials, equipments, supplies, tools, machinery, and everything capable of being used in connection with the business of the company. It had broad powers in respect to the acquisition and holding of the stocks, bonds, and other evidences of indebtedness of other corporations or their physical assets and the payment therefor in the securities of Ward Food Products Corporation, or cash realized from the sales of such securities. The charter summarized its extensive powers and the ends to be gained thereby as follows: "And in general to carry on business in connection with the foregoing objects, and to perform any act permitted by law to the end that the American people may have and enjoy wholesome food at fair prices, and that every child may enjoy the right to be born well, to reach school age well, and to grow to maturity physically and mentally fit for American citizenship."

As a step in carrying out the foregoing purpose of the corporation the charter provided:

> Whenever the full dividend upon the preferred stock for all past dividend periods shall have been paid and the full dividend thereon for the current quarterly dividend period shall have been paid or declared, and a sum sufficient for the payment thereof set apart, the board of directors shall have power to set aside out of the surplus or net profits of the corporation such sums as to it may seem proper to be used for the advancement of the right of every child to be born well, to reach school age well, and to grow to maturity physically and mentally fit for American citizenship, and generally for the advancement of the health and welfare of the American people, and dividends upon the common stock may then be declared by the board of directors out of the remainder of the surplus or net profits, and the holders of the preferred stock shall not be entitled to participate in any such dividends.

PROSECUTION UNDER THE ANTITRUST LAWS

This new corporation had every appearance of being organized to take over and hold the stocks of the three large baking companies in which W. B. Ward had been interested, viz, the Ward Baking Corporation, the Continental Baking Corporation, and the General Baking Corporation, in order to make more effectual a control already being exercised in some degree. Accordingly, on February 8, 1926, the United States filed a petition in equity in the District Court of the United States for the District of Maryland against Ward Food Products Corporation, the Ward Baking Corporation, Ward Baking Co., the General Baking Corporation, the General Baking Co., the Continental Baking Corporation, United Bakeries Corporation, and various individuals largely interested in these companies.

The petition charged that the "Defendants, in the manner hereafter set forth, are engaged in a combination and conspiracy in undue and unreasonable restraint of trade and commerce among the several States, and in the District of Columbia, and between the District of Columbia and the several States, with respect to bread, cake, pastry, and similar products, and are also engaged in an attempt unduly and unreasonably to monopolize such trade and commerce among the several States, and in the District of Columbia, and between the District of Columbia, and the several States, in violation of sections 1, 2, and 3 of the act of July 2, 1890, chapter 647, commonly known as the Sherman Antitrust Act."

The petition also charged that "The corporate defendants have acquired, are acquiring, and propose in the immediate future to acquire, the whole or a substantial part of the stocks or other share capital of each other, and of other corporations engaged in interstate trade and commerce in the baking and related industries, for the purpose and with the effect of substantially lessening or entirely eliminating competition in interstate trade and commerce between these corporate defendants and the many potentially competitive corporations already controlled by them, and between these corporate defendants, and the corporations whose stock or other share capital are now being or may hereafter be acquired by either of them, all in violation of section 7 of the act of October 5, 1914, chapter 323, commonly known as the Clayton Act."

This petition asked that the defendant be perpetually enjoined from doing any act in furtherance of, or for the purpose of carrying out the alleged combination, conspiracy, or attempt to monopolize, and that the corporate defendants be required to divest themselves of the stocks, bonds, or other evidences of indebtedness, or physical properties, of any competing companies heretofore acquired by them; that they be perpetually enjoined from acquiring hereafter the stocks, bonds, or other evidences of indebtedness, or physical properties, of any competing companies; and that Ward Food Products Corporation, the Ward Baking Corporation, the Continental Baking Corporation, and the General Baking Corporation be perpetually enjoined from acquiring the whole or any part of the stocks, bonds, or other evidences of indebtedness, or the physical assets, of each other. The petition also asked that the last-mentioned group of companies be perpetually enjoined from having any director, officer, agent, or employee in common with each other and from entering

into any contracts, agreements, or understandings with one another for joint purchases of materials, supplies, and equipment or for a common policy in the sale of their output.

THE CONSENT DECREE.

As a result of negotiations between representatives of the Department of Justice, the Federal Trade Commission, and the defendants, a consent decree was entered in the District Court of the United States for the District of Maryland on April 3, 1926. The essential terms of the decree are substantially as follows: [16]

1. The individual defendants [17] and corporate defendants [18] are perpetually restrained and enjoined from any act that would bring the several defendants under common control or that would restrain or monopolize interstate trade in the future.

2. The corporate defendants are perpetually enjoined from acquiring the whole or any part of the share capital of any other baking corporation engaged in interstate commerce, where the effect of such acquisition may be to substantially lessen competition in such commerce between the corporation whose stock is so acquired and the defendant corporations or tend to create a monopoly.

3. The corporate defendants, Ward Food Products Corporation, the Ward Baking Corporation, and Ward Baking Co., constituting one group; the General Baking Corporation and the General Baking Co., constituting a second group; and the Continental Baking Corporation and United Bakeries Corporation, constituting a third group, are severally, perpetually enjoined, (1) from acquiring, holding, voting, owning, or exercising the control of the whole or any part of the shares of the capital stock of any of the corporations in either of the other groups or their subsidiaries, and from acquiring any of their physical assets; (2) from electing or appointing and from continuing in office any person as a director or as an officer who is at the same time a director, officer, agent, or employee in any of the corporations of either of the other groups or their subsidiaries; and (3) from entering into any contracts, agreements, or understandings with one or more of the corporations of the other groups for joint purchases of materials, supplies, and equipment, or for common prices or common policies in the marketing and sale of their output.

4. The individual defendants, William B. Ward, Paul H. Helms, and George G. Barber, are severally perpetually enjoined from acquiring, receiving, holding, voting, or acting as the owners of any of the voting shares of the capital stock of more than one of the defendant corporations and its subsidiaries and from acquiring any of the physical assets of more than one of these corporations.

5. Pending the dissolution of Ward Food Products Corporation, as provided in the decree, this corporation is enjoined from issuing any capital stock, bonds, or other evidences of indebtedness, and from acquiring any property or transacting any business or taking any action other than may be necessary to terminate its existence.

6. Ward Food Products Corporation is required and agrees to dissolve, forfeit all of its corporate privileges, and surrender its charter to the State of Maryland within 30 days after the entry of the decree.

7. The General Baking Corporation is required and agrees to reduce its authorized capital stock within one year after the entry of the decree by reducing its class a nonvoting stock from 5,000,000 shares to 2,000,000 shares.

8. The individual defendants, William B. Ward, Paul H. Helms, George G. Barber, are severally required and agree to dispossess themselves of all voting shares of capital stock in any of the defendant corporations and the companies controlled by them other than such defendant corporation and its subsidiaries as he may elect to retain his holdings in.

[16] The matter here given is a condensation of certain provisions of the decree.

[17] William B. Ward, Paul H. Helms, and George G. Barber. The decree stipulates that the petition be dismissed as to defendants, William Deininger, George B. Smith, Howard B. Ward, J. W. Rumbough, and R. E. Peterson, without prejudice.

[18] Ward Food Products Corporation, the Ward Baking Corporation, Ward Baking Co., the General Baking Corporation, the General Baking Co., the Continental Baking Corporation, and the United Bakeries Corporation.

9. Inasmuch as "the charge contained in the petition herein that the asquisition and holding by the defendant, the Continental Baking Corporation, of the stocks and other share capital of alleged competing baking companies is in violation of section 7 of the Clayton Act, was included also in a complaint filed by the Federal Trade Commission against the Continental Baking Corporation on December 19, 1925, wherefore the petition is dismissed as to that charge without prejudice to the right of the United States to again raise the issue in any other proceeding."

10. It is stipulated that the provisions of the decree shall be without prejudice to the rights and interests of the defendants in any proceeding, civil or criminal, which may hereafter be brought except that its recitals shall be conclusive in all proceedings brought to enforce the observance of the decree.

11. Any of the parties to the decree may make application to the court at any time for such further orders and directions as may be "necessary or proper in relation to the carrying out of the provisions of this decree, and for the enforcement of strict compliance therewith and the punishment of the evasions thereof;" and jurisdiction of this cause is retained for the purpose of giving full effect to this decree and for the purpose of making such other and further orders, decrees, amendments, or modifications, or taking such other action, if any, as may be necessary or appropriate to the carrying out and enforcement of this decree.

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CHAPTER VIII

PROFITS AND COSTS OF BREAD BAKERS

Section 1. Scope of study of profits and costs.

The financial results presented in this report are chiefly those of wholesale baking companies. This emphasis upon the wholesale companies is due primarily to the fact that it was particularly the important consolidations among them which gave rise to this inquiry. In the second place they are by far the largest producing and selling organizations in the bread business. The larger companies operate all the way from one to one hundred plants and the plants operated range in capacity from a few hundred thousand to thirty-five million or more pounds of bread per annum. This situation, therefore, renders it practicable to study a larger volume of bread production with a given expenditure of time and labor than could be done in any other way.

Wholesale baking plants, as elsewhere shown (Ch. III, sec. 3), sell a considerable volume of bread at retail through the operation of house-to-house routes. The figures shown for all wholesale plants, therefore, include a volume of house-to-house business which is estimated at 7.03 per cent of the total business reported by them. This estimate is derived from the marketing schedules returned by 327 commercial baking plants in 1926. These plants reported a total volume of bread business aggregating $4,113,249 a week, of which $459,433 was house-to-house business. (Table 7.) But this latter business was done partly by 20 exclusively house-to-house plants which sold $183,164 weekly. (Table 6.) The total wholesale and house-to-house businesss done by the remaining 307 exclusively wholesale or combination wholesale and house-to-house plants, therefore, aggregated $3,930,085 a week, of which $276,269 or 7.03 per cent was house-to-house.[1]

The results presented for wholesale companies in this chapter, therefore, while primarily the results for bread distributed by the wholesale method, include a considerable volume of house-to-house business. Plants doing a strictly house-to-house business, however, have been excluded in determining the wholesale results. Moreover, certain data are also presented for strictly wholesale plants which do no house-to-house business.

Considerable difficulty was encountered in securing the names of strictly house-to-house companies and results are shown for only a few of them. While this sample is not large, it includes, according to the information available, several of the largest house-to-house retail baking companies.

Information was also procured from three chain store systems which have begun baking their own bread in recent years. This sample was necessarily limited in size by the fact that this is a comparatively new

[1] The estimate of less than 12 per cent made in the preliminary report (Bakery Combines and Profits, pp. 49–50) was prepared before the complete figures for the house-to-house business were available.

development in the baking business. However, it is probable that the chain store figures presented constitute as representative a sample of the total chain store bakery production as the wholesale figures do of the total wholesale production.

No figures are presented showing the results for the over-the-counter retailer, though efforts were made to procure financial results from this type of baker. A careful survey in two different cities proved that it was impossible to procure figures from a representative group of these bakers, except at a prohibitive cost. In practically all the establishments visited the cost, investment, or profit data were defective in some one or more particulars and frequently the cash register furnished the only records of the business. Many of these establishments combined with the baking business some other line or lines such as the ice cream, confectionery, or restaurant business, and it was impossible to effect any separation of these lines either as to investment, profit, or costs. Most of them were producing other bakery products than bread, and here again it was impossible to separate the sales, profits, or costs of bread from the sales, profits, or costs of other bakery products.

Because of these conditions, therefore, it became necessary to discard the idea of presenting the financial results of over-the-counter retailers and to confine the study of costs and profits to three classes of bakers, i. e., wholesale bakers, house-to-house retail bakers and chain store retail bakers. These terms are those employed in the discussion of costs and profits and they should be understood to refer to these classes of business as described in detail in this section.

Section 2. Business covered.

The financial results and costs obtained by the commission from companies engaged in the wholesale baking business cover the six years from 1920 to 1925. The number of companies and plants included shows a considerable variation from year to year. Figures for the chain stores and house-to-house bakers include only the three years 1923–1925, it being impossible to obtain data for the earlier years from these types of establishments. The house-to-house figures presented include for three years a plant of one of the larger wholesale companies, the investment in which can not be separated from the wholesale figures. Similarly, in 1925, the investment and profit figures of three house-to-house companies absorbed by the Continental are not available for that year. For the purpose of comparing detailed costs and operating profit per pound, however, the separation of investment of particular plants of a company from that of the entire company was not involved, and the figures of the plants of house-to-house companies were separated from the wholesale figures and combined with the house-to-house results, the cost and profit figures for wholesale companies being changed accordingly.

In the case of the chain store bakery results, it is impossible to present the investment involved, because the bakery investment is not separable from the investment in the chain store business as a whole.

The following table presents for each year the number of wholesale, house-to-house, and chain store baking companies and plants for which financial data were obtained, together with the production and sales of bread and the sales of other bakery products than bread.[2] It will be noted that no poundage figures are presented in this table for "other bakery products," which item consists chiefly of cake. While the records of the companies from which financial results were procured furnish data from which poundage figures of bread production can be computed (see p. 288), no such information is available for any of the items included in other bakery products, such as cake, pastry, pie, and similar products. The volume of this business, therefore, can be shown only in dollars, and the volume of bread business is also shown on this basis for comparative purposes.

The business of commercial baking companies in other bakery products than bread was slightly under 20 per cent of the total business for all three types of bakers combined and also for the wholesale companies except in 1925, when it was slightly higher. A number of the wholesale companies, both large and small, produce and sell bread exclusively. More than two-thirds of the companies for which financial results were obtained, including particularly the larger ones, produce and sell both bread and other bakery products. (Table 3.) As is also shown by Table 4, about two-thirds of a total of 332 commercial baking plants reporting on their methods of sale in 1926 were selling both bread and other bakery products.

The volume of sales of other bakery products constitutes a much larger proportion of the total sales of the house-to-house companies and a much smaller proportion of the total chain store bakery sales than it does of the total business of the wholesale companies. Only one of the three chain store companies from which financial data were obtainable produced other bakery products than bread and the proportion of this business to total business as indicated by the sales figures is very much smaller than it is in the case of either the wholesale or house-to-house companies.

The comprehensiveness of the commission's cost and profit study may be estimated by comparison with the 1923 and 1925 census figures of commercial bread production. In 1923 the census placed the total commercial bread production of the United States at 8,446,708,492 pounds. The volume of bread produced in the same year by the companies and plants covered by the commission was 2,335,932,400 pounds, or more than 27 per cent of the total.

In 1925 the total commercial production was estimated at 8,637,061,601 pounds based on preliminary census figures of 7,323,703,237 pounds produced by 7,528 establishments which reported on their production in detail.[3] In the same year the 278 plants studied by the commission reported a total production of 2,632,541,775 pounds or 30 per cent of the estimated total commercial bread production of that year.

[2] This table shows a slight variation from that presented in the preliminary report (Bakery Combines and Profits, Table 4, p. 52), owing to the fact that on further analysis of the figures subsequent to the publication of that report one of the wholesale companies was found to be operating an exclusive house-to-house plant. This affects the wholesale and house-to-house figures from 1923 on, but the difference is so slight as to be practically negligible.

[3] For statement of the method of arriving at this estimate see footnote 4, p. 20.

TABLE 49.—*Production, sales of bread, and sales of other bakery products for all reporting baking companies by type of business and by years, 1920–1925*

Year	Type of business	Number of companies	Number of plants	Bread production in pounds	Sales of bread	Sales of other bakery products	Total sales	Per cent of total sales: Bread	Per cent of total sales: Other bakery products
1920	Wholesale [1]	36	127	1,350,204,617	$132,884,162	$30,999,275	$163,883,437	81.08	18.92
1921	Wholesale [1]	49	135	1,309,602,521	112,660,887	22,550,496	135,220,383	82.70	17.30
1922	Wholesale [1]	75	183	1,659,524,950	121,081,392	27,697,216	148,778,608	81.38	18.62
1923	Wholesale [2]	74	236	2,149,293,670	157,258,495	35,224,216	192,482,711	81.70	18.30
	House-to-house [3]	1	5	22,610,041	1,750,867	324,836	2,075,703	84.35	15.65
	Chain store [4]	3	14	164,068,689	9,464,043	389,945	9,853,988	96.04	3.96
	Total	78	255	2,335,932,400	168,473,405	35,938,997	204,412,402	82.42	17.58
1924	Wholesale [2]	70	222	2,180,943,984	162,076,578	37,849,129	199,925,707	81.07	18.93
	House-to-house [3]	5	10	45,577,172	4,674,891	2,020,830	6,695,721	69.82	30.18
	Chain store [4]	3	19	226,949,506	12,451,736	373,248	12,824,984	97.09	2.91
	Total	78	251	2,474,971,022	179,202,895	40,243,517	219,446,412	81.66	18.34
1925	Wholesale [5]	51	247	2,308,793,203	180,062,530	47,383,192	227,445,722	79.17	20.83
	House-to-house [3] [5]	3	11	69,192,327	6,749,078	2,826,729	9,575,807	70.48	29.52
	Chain store [4]	3	20	254,556,245	17,094,700	466,506	17,561,206	97.34	2.66
	Total	57	278	2,632,541,775	203,906,308	50,676,427	254,582,735	80.09	19.91

[1] Includes 1 exclusive house-to-house plant operated by a wholesale baking company.
[2] One house-to-house plant transferred to house-to-house group after 1923 and wholesale figures changed accordingly (see note 1).
[3] One plant operated by a wholesale company and wholesale figures reduced accordingly.
[4] Only one company making other bakery products which are transferred to retail stores at an arbitrary price.
[5] Four plants of three house-to-house companies acquired by the Continental Baking Corporation are included in the house-to-house group in 1925.

Section 3. Methods of computing profits and investment.

Profits.—The profits figures employed in this report have been presented on two bases: (1) According to the net profits of the company on its own capital and (2) according to the net profits of the baking business, including profits on borrowed capital employed in that business. In both cases the profits shown are before payment of Federal taxes.

In the former figure are included miscellaneous profits, such as rents, interest, and the like, derived from investment in assets not employed in the baking business. This company net profit, therefore, shows what the company earned on its own investment, both in the baking business and in other ways.

Profits from the baking business, on the other hand, exclude earnings from outside investment, and include only earnings from the company's investment in the baking business plus earnings from any borrowed capital which is similarly employed. This figure is computed by taking the profits from baking operations before deduction of interest paid on any borrowed capital used and excluding the profits obtained from any other source. This profit, therefore, shows what was earned from the manufacture and sale of bread and other bakery products, irrespective of the ownership of the capital employed.

Company investment.—The investment of the company to which the company earnings or profits are related may be denominated "company investment." It represents the total amount which has been invested by the company not only in the baking business but in any other manner, irrespective of the nature of the investment. This investment is made up of the outstanding capital stock (less the unpaid subscriptions), surplus, and undivided profits, together with Federal tax reserves and all other surplus reserves which represent merely the allocation of surplus or profits to a specific purpose, less capital deferred charges, such as bond discount, etc. In computing this figure the mean of the balance-sheet figures at the beginning and end of each year was employed.

Baking investment.—The investment in the baking business to which the profits from the operation of bakeries is related may be termed the "baking investment." The principal difference between the "company" and "baking" investment figures consists in excluding from the latter figure the outside investments included in the former and adding to the latter the borrowed money used in the baking business which is excluded from the company investment. Figures of baking investment are presented in this respect both "unrevised" and as revised by the commission.

Unrevised baking investment.—The unrevised baking investment was computed by deducting from the company investment all holdings of securities of other companies, investments in Liberty bonds, loans to other business enterprises or to company officers, real estate owned but not used in the business, and the like. To this figure there has been added the total borrowed money. In averaging this investment, long time obligations such as bonds, mortgages, etc., were treated in the same manner as the company investment, that is, by averaging the totals shown in the beginning and ending balance sheets for each year. Short-time obligations, on the other hand, were computed by averaging the balance shown at the end of each month during the year. The result of this deduction of the outside investment from company investment and the addition of borrowed money is the unrevised baking investment as shown by the books of the companies.

Revised baking investment.—The figure which is termed the "unrevised baking investment" includes in the case of several companies, particularly the larger ones, a great volume of (1) tangible assets valued in excess of the prices paid for them, and (2) intangible assets representing good will, patents, trade-marks, and the like. Because of the dubious or ephemeral character of such items, even where actually paid for in cash, it was regarded as desirable to revise the baking investment to exclude them as far as practicable. So far as appreciation of plants is concerned, it was concluded that owing to Federal excess profits taxes and increased cost of construction, the great bulk of any real plant appreciation had been taken up into the books of the various companies studied by 1920, the first year for which any financial results were obtained. Hence any ascertained plant appreciation written on the books after the beginning of 1920 was excluded. The result after excluding these specified items constitutes the investment in the baking industry, as revised by the commission.

The revised investment figure presents the total value of the tangible assets employed in the baking business in 1920, or in whatever subsequent year the commission first obtained the financial results for the particular company, plus all subsequent additions to plant and other tangible assets, as shown by the books, but less any appreciation of such assets which may have been set up on the books subsequent to the first date for which the commission obtained figures. This does not mean, however, that all appreciation of tangible assets after 1920 has been excluded. The period from 1920 to 1925 was one of numerous acquisitions and consolidations, as has been outlined in preceding sections of the report, and when one company acquired another during a year, the tangible asset value allowed was whatever appeared on the books of the acquiring company. This obviously would not exclude any write-ups of tangible assets by acquired companies during the period under consideration, except in so far as the write-ups were excluded by the acquiring company in setting up the assets of the acquired company on its own books. In the event, therefore, that the plant or other tangible assets of a company, acquired since the beginning of 1920, were given an increased value by the acquiring company, or were written up just prior to the acquisition by the acquired company and thus placed on the books of the latter at an increased valuation, such increases were not excluded.

Computation of investments where combination was involved.—In the case of combinations of companies effected during any given year, the investment of the acquired companies, as shown by their balance sheets, was averaged with that of the acquiring company for whatever periods the respective company investments were employed in all cases where this method was practicable. However, in some cases where previously existing companies were combined to form a new company, the combined investments of the former companies at the beginning of the year were averaged with the investment of the consolidated company at the end of the year. In several cases involving acquisitions of companies during the year by already existing companies, data on the investment and profit of the acquired companies

were lacking. In such a case it was necessary to use the beginning and ending balance sheets of the acquiring company, but it should be noted that the investment of any acquired company in these cases was comparatively small. This did not affect the amount of capital investment involved, but was merely a transfer from one asset to another.

Bread investment not available.—It is impossible to present, except in an approximate way, the investment and profits in bread baking, as distinguished from other bakery business. A large proportion of all the important baking companies and plants in the country produce both bread and other bakery products. In these cases the investment in bread baking can not be separated from the investment in other branches of baking except on the basis of sales, or some other more or less approximate method. While it is possible to show the amount of profit on bread earned by the baking companies, it is impracticable to present accurately the investment of these companies in the bread-baking business and hence the precise rate of return earned on the bread-baking investment. Although such an investment figure can be constructed for companies producing only bread, the total production and size of these companies are so small as compared with the corresponding figures of bread and cake companies that this figure and the rates of return thereon can scarcely be regarded as representative of the investment in the bread-baking industry and the rate of return thereon.

Section 4. Machine bread making.

The costs of bread shown in this report are in large measure those of machine-made bread. Many of the plants are not completely automatic and many produce also a considerable volume of bench or hand-made bread in which the use of machinery is necessarily limited. Despite these facts practically all plants employ machinery at one or more stages of the process of production and practically all the bread, even including hand-made bread, is subject to some extent to machine operations. For these reasons it appears desirable to consider briefly the process of machine bread making.

The introduction of machinery in making bread has greatly changed the industry in recent years. A larger output per plant and per employee and probably a more uniform product are possible. With the plant's increased output the area of distribution for the plant has in many instances widened and methods of distribution have changed.

Moreover, large-scale baking makes the application of exact standards more practicable. For this reason it is more common than formerly to make use of the laboratory for the accurate testing of ingredients, equipment, and processes. Baking results are affected in the matter of flour, for example, by the percentage of moisture, ash, and gluten it contains, as well as by equipment and processes used. To secure the best baking results, these variables—character of flour, equipment, and processes—should be adjusted to one another. In general flour from soft wheat requires less time for fermentation than that from hard. While the requirements in character of flour vary with the speed of the mixer, the baker is in a position by the laboratory method to order his flour under exact specifications and to check up on the lot received. So for the other principal ingredients of bread—sugar, salt, yeast, milk, and shortening.

With a standardized mix of dough as to quality and percentage of ingredients necessary to a given bread formula, there have come also control of temperature and humidity of dough rooms—where dough undergoes the fermentation or raising process—and standardization of time involved and of processes followed.

Bread-making formulas, usually regarded as trade secrets, are said to vary somewhat as between bakers. No attempt was made to secure such formulas from the bakers in this inquiry. The two formulas below published in the Bakers Weekly, June 9, 1923, are probably fairly representative of present bread formulas and will serve to show roughly the proportions of the principal ingredients. Sometimes ingredients other than those here shown are added. Moreover, instead of lard, crisco or butter may be used; and instead of sweetened condensed milk, unsweetened may be used, or fresh whole or skimmed milk, or powdered milk. Sugar may be the common cane or beet sugar, or it may be corn sugar, maltose, glucose, or syrup. The formulas follow:

Ingredient	Quantity		Ingredient	Quantity	
	Formula No. 1	Formula No. 2		Formula No. 1	Formula No. 2
	Pounds	*Pounds*		*Pounds*	*Pounds*
Flour	280	300	Milk	[1] 11	[2] 6
Water	170	168	Lard	6	4
Sugar	2	8	Yeast	5½	5
Salt	5	4½	Malt	[3] ¾	3

[1] Sweetened, condensed, 42° sugar.
[2] Sweetened, condensed.
[3] Quart.

The number of pounds of bread secured from a barrel of flour (196 pounds) varies considerably according to the proportion of ingredients other than flour and according to the character of ingredients and manner of baking, both of which affect the percentage of moisture retained in the bread. A commonly accepted average for all kinds of bread and rolls is 285 pounds. The range, however, will run from 15 or 20 pounds below this average to as many above. By some formulas white bread made into loaves of 1 pound or more will run considerably above this average.

In general, the bread-making process in the machine-equipped bakery is as follows: Where blending of flour is desired two or more kinds are run through a blending machine which leaves each kind of flour evenly distributed throughout the whole mixture. Blending is said to enable a baker to secure a flour that meets his own peculiar requirements and to maintain the character of the flour more uniformly and at a lower cost than if he confined his use to but one kind.

By conveyor the flour is taken from the blending machine to the sifting machine where it may be sifted several times. Not only are foreign substances removed, but the process renders the flour less compact and aerates it. In some bakeries this order of blending and sifting is reversed. Since the flour is automatically carried from the one machine to the other their capacity must be adjusted to one another.

From the sifter the flour is then carried by conveyor to storage bins, usually located on an upper floor. From here it is moved as needed by gravity to the mixing room below, being automatically weighed as it passes into the mixing machine. Other ingredients are weighed or measured and dumped into this machine in their proper order. The capacity of the mixer is from one to five barrels of dough, and time required for the mixing about 12 minutes, though the time varies considerably from this in a few bakeries. The temperature of the dough when mixed is about 80° F.

From the mixer the dough is poured into troughs which are wheeled into dough rooms maintained at a given degree of humidity and a temperature of about 80° F., where it goes through the raising or fermentation process. The time required for raising greatly varies with character of flour and other ingredients used, but is generally from three to four hours. During this process the dough is punched or worked down from one to three times, depending upon the character of the flour. Mixing processes are now sometimes being used—the no-dough-time process and the no-punch process—which eliminate either the fermentation or working-down process or both.

After the dough is raised it is dropped from the dough room to the scaling or dividing machine in the room below. This machine divides the dough into balls of presumably uniform weight which is governed by the regulator of the machine. The balls are formed by ramming the dough into the pockets of the machine, a given pressure against the regulator automatically cutting off the dough and releasing the balls. The capacity of the scaling machine varies with the number of dough pockets and the speed of operation and may run 80 dough balls or more per minute. The capacity of this machine and those following must be adjusted to one another.

The dough balls from the scaling machine pass by conveyor to the rounding machine which rolls them by a revolving motion and dusts them with flour. Because this and the scaling machine have a tendency to cause the dough to fall, the pieces of dough are carried by conveyor to an automatic proofer, which at a temperature of 98° to 110° F. develops the cells of the dough.

From the proofer the dough balls are carried to the molding machine, which shapes the dough into loaves and automatically deposits them into pans. These pans pass either to an automatic steam proofer for final proofing and thence to the oven or directly to the conveyor of a traveling oven maintained at a temperature of from 450° to 500° F. The movement of the conveyor within the oven is so regulated that the baking process is completed when the full length of the oven is traversed. The time in the oven is from 25 to 45 minutes.

From the oven the bread passes to racks or to cooling rooms and from these by conveyor to the wrapping machine, which wraps the bread from 20 to 60 loaves per minute.

The foregoing process will vary with the bakery and with the kind of bread. Certain kinds of bread are more largely handmade than others, even in the large and well-equipped plant. Some bakeries, though large, still depend for certain processes on labor that elsewhere has been supplanted by machinery. The more thoroughly equipped the plant with machines the fewer the laborers, these being largely skilled tenders rather than artisans. On the whole, the

tendency to-day among bakeries, at least among wholesale bakeries, as in many other manufacturing lines, is for capital requirements per unit of output to increase, and labor requirements to decrease.

Section 5. Profits of wholesale baking companies.

The investment and profits of all the wholesale baking companies from which financial results were secured (see Table 49) are shown in the following table, which distinguishes the company investment from the baking investment (revised and unrevised) and shows the profits applicable to each:

TABLE 50.—*Investment, profits, and rates of return on company business and on baking business for all wholesale baking companies covered, by years, 1920–1925.*

Year	Investment			Profits		Rate of return		
	Company	Baking		Company	Baking [1]	Company	Baking	
		Unrevised	Revised				Unrevised	Revised
						Per cent	*Per cent*	*Per cent*
1920	$72,191,542	$84,442,277	$44,400,783	$9,730,700	$10,586,707	13.48	12.54	23.84
1921	79,268,300	86,678,213	48,400,835	13,246,060	13,919,162	16.71	16.06	28.76
1922	93,021,775	99,600,381	59,826,903	15,187,064	15,935,481	16.33	16.00	26.64
1923	125,555,442	138,663,691	79,230,609	18,019,726	19,164,963	14.35	13.82	24.19
1924	140,838,339	152,222,222	88,244,178	22,206,355	23,317,479	15.77	15.32	26.42
1925	166,012,391	175,393,961	114,097,657	25,874,058	26,869,713	15.59	15.32	23.55
Average	112,814,631	122,833,791	72,366,828	17,377,327	18,298,918	15.40	14.90	25.29

[1] Applicable to revised and unrevised investments.

The average of the company investment during this six-year period was $112,814,631, as compared with $122,833,791 for the unrevised baking investment. The larger amount of the latter is due primarily to the inclusion of borrowed funds. The corresponding figure for the revised baking investment, namely, $72,366,828, is much smaller than the unrevised amount, and likewise smaller than the company investment. The chief reason for this, as already explained, is the exclusion of intangible assets and of all ascertainable appreciation of tangible assets subsequent to January 1, 1920. The differences between company profit and baking business profit are not important, the average annual figure for the former being $17,377,327 and for the latter $18,298,918. The difference is due chiefly to the fact that interest on borrowed funds was not deducted from net operating profits in arriving at the latter amount. In the case of baking business profits it was not necessary to make any revision as in the case of baking investment. On account of the comparatively small differences between the company and unrevised baking investments, on the one hand, and the company and baking profits, on the other hand, there was not much difference between the rates of return for these two methods of computation, though the latter was slightly lower. But the revision of the baking investment—by eliminating intangibles and appreciation—caused such a great reduction that the average rate of return on this revised basis, namely 25.29 per cent, was much higher than for either of the other two methods, which gave 15.40 per cent and 14.90 per cent, respectively, for the

six-year averages. The average figures are mentioned merely for brevity; an examination of the yearly figures will show that substantially the same relations subsisted in each year for all the companies mentioned.

In comparing investment and profits by these three methods of computation it is not necessary to choose definitely any one of them. Each method of calculation has its appropriate purpose. The first one is especially interesting to the stockholder or the investor; the second shows what part of the book investment and profit relates to the baking business; the third shows separately the investment in tangible assets, and, as fully as the data permit, eliminates any capitalization of earning power, good will, or expected "merger" value, whether monopolistic or otherwise. This form of statement is of considerable interest to the general consuming public. It also furnishes the best basis for economic analysis by eliminating the more fortuitous and speculative elements in the financial results and by placing the data on a more objective and comparable basis. For these reasons most of the detailed comparisons which follow are made upon this basis.

Rates of return in early and later years.—A significant fact shown in the foregoing table is the decreased rate of return since 1922 as compared with the three preceding years. This appears more clearly in the following statement:

	Company investment	Unrevised baking investment	Revised baking investment
	Per cent	*Per cent*	*Per cent*
1920	13.48	12.54	23.84
1921	16.71	16.06	28.76
1922	16.33	16.00	26.64
Average for 3 years	15.61	14.94	26.50
1923	14.35	13.82	24.19
1924	15.77	15.32	26.42
1925	15.59	15.32	23.55
Average for 3 years	15.29	14.87	24.63
Average for 6 years	15.40	14.90	25.29

This comparison is particularly significant with reference to the figures of revised baking investment because this investment represents the assets employed in producing bread and other bakery products stripped, as far as practicable, of all intangible and speculative elements of value. While the following discussion is confined to an explanation of the rates of return on the revised baking investment, this explanation will account also for the rates of return on both company investment and the unrevised baking investment.

As already stated, the rates of return on the investment during the first three years of the six years under discussion were higher than the rates earned in the last three years. An examination of the rate of profits on sales of bread and other bakery products combined shows that this is exactly the reverse of the foregoing results, as appears from the following table:

TABLE 51.—*Percentages of profit on sales of bread and other bakery products for all wholesale baking companies covered, by years, 1920–1925*

Year	Companies selling bread only		Companies selling bread and other products				Per cent of profit on sales of bread by all companies	Sales of bread and other products by all companies	
				Per cent of profit					
	Number	Per cent of profit	Number	Bread	Other products	Bread and other products		Number	Per cent of profit
1920	17	4.72	19	5.65	7.29	6.00	5.52	36	5.86
1921	20	6.12	20	8.91	13.95	9.90	8.53	40	9.47
1922	36	4.83	39	9.54	13.59	10.41	8.75	75	9.65
Average, 3 years	------	5.17	------	7.92	11.32	8.62	7.51	------	8.21
1923	32	6.57	42	9.32	9.42	9.34	8.97	74	9.06
1924	30	8.03	40	11.35	5.87	10.19	10.91	70	9.95
1925	20	4.45	31	10.62	10.20	10.53	10.29	51	10.27
Average, 3 years	------	6.77	------	10.45	8.64	10.06	10.08	------	9.80
Average, 6 years	------	5.95	------	9.42	9.72	9.48	9.00	------	9.13

As also appears from Table 49 the volume of sales of bread and other bakery products covered was very much lower in the first three years of the period than in the last three. The lower rate of return in the last three years in the face of very great increase in the volume of sales and a higher rate of profit thereon can be explained only in terms of the relation of the volume of business to the investment. An examination of the investment figures (see Table 50) shows that the total investment in the last three years was also very much greater than in the first three years. This latter increase was considerably greater than the increase in either bread production, bread sales, other products sales, or bread and other products sales combined. This appears from the following table, which gives the ratios of these items to the revised investment.

TABLE 52.—*Ratios of bread production, of sales of bakery products and of bakery operating profit to revised investment for all wholesale baking companies covered, by years, 1920–1925*

Year	Bread production	Bread sales	Sales of other bakery products	Sales of bread and other bakery products	Bakery operating profits [1]
1920	30.409	2.993	0.698	3.691	0.216
1921	28.297	2.327	.487	2.814	.266
1922	27.739	2.024	.463	2.487	.240
Average, 3 years	28.693	2.402	.539	2.941	.241
1923	27.193	1.990	.445	2.434	.220
1924	24.877	1.840	.429	2.269	.226
1925 [2]	20.613	1.617	.432	2.049	.210
Average, 3 years	23.801	1.791	.435	2.226	.218
Average, 6 years	25.521	2.007	.471	2.478	.226

[1] Bakery operating profit differs slightly from total bakery profit (Table 50) on account of discounts on flour purchases and other miscellaneous items.

[2] The volume figures used to compute the 1925 ratios are somewhat larger than those shown in the table giving volume of business by type of distribution, owing to the inclusion of certain house-to-house companies which are excluded in that table. See footnote 5 to Table 49.

From this table it appears that the investment has been increasing much more rapidly than bread production, bread sales, sales of other bakery products, or sales of bread and other bakery products combined.

In the first three years of the period a dollar of investment produced on the average over 28 pounds of bread, $2.40 in bread sales, 54 cents in other bakery products sales, and $2.94 in total sales of bread and other bakery products. In the succeeding three years, despite the much greater volume of production and sales involved, a dollar of investment produced less than 24 pounds of bread, $1.79 in bread sales, between 43 and 44 cents in other bakery products sales, and only $2.23 in sales of bread and other bakery products combined. In the period 1923 to 1925, therefore, a dollar of baking investment produced 17 per cent less pounds of bread, 25.4 per cent less bread sales, 19.3 per cent less sales of other bakery products, and 24.3 per cent less sales of bread and other bakery products combined.

This situation explains why it was possible for the wholesale baking companies in the first three years to show a larger rate of return on the investment than in the last three years, despite both the higher rate of profit on sales and greater volume of bread production and total business in the later period. The investment per dollar of the business produced during the first three years was so much lower than in the second three years that the profits, though on a smaller volume of business and at a lower rate than in the succeeding three years, produced a higher rate of return on the investment. In the first period a dollar of investment produced $2.94 in sales of bread and other bakery products, of which 8.21 per cent, or 24.1 cents (Tables 51 and 52), was net profit. In the second period a dollar of investment produced only $2.23, of which 9.80 per cent, or 21.8 cents (Tables 51 and 52), was profit.[4]

It is important to note in this connection that since 1922 the wholesale companies have secured each year a small but steadily increasing sales realization per pound of bread. As elsewhere shown (Table 56), this increase has exceeded any increase in costs per pound, leaving a larger margin of profit. From 1922 to 1925 sales realization rose from 7.296 cents to 7.843 cents, or 0.547 cent per pound, while cost rose from 6.657 cents to 7.036, or only 0.379 cent per pound. Though small, the increase in realization each year over the preceding year has exceeded any increase in cost except in 1925, when the greatest increase took place. In this year the increase in sales realization exactly equaled the increase in cost. It is apparent, therefore, that the rates of return shown in the last three years would be even lower had it not been for these increases in sales realization. The implication of this latter fact and of the ratios just shown is that the increasing burden of the investment in the baking business has been offset at least in part by slightly increased bread prices in the last three years.

While the ratios shown in the foregoing table are affected to some extent by the changing companies and plants each year, substantially similar results are shown for 30 identical companies for the five years 1920–1924 and 62 identical companies for the three years 1922–1924. On account of the frequent consolidations during this period, and particularly the acquisitions by the Continental Baking

[4] Bakery operating profit differs slightly from total bakery profit (Table 50), which includes discounts on purchases and other miscellaneous items.

Corporation during 1925, it is impossible to carry even the 30-company group beyond 1924.

The ratios for these two groups of companies in each year, together with the data upon which they are based, appear in appendix Table 6. The following table presents the ratios in 1920, 1922 and 1924 for both the 30 and 62 company group in comparison with the ratios for the all-company group for the same years:

TABLE 53.—*Comparative ratios of production, sales, and profit to revised investment for specified groups of wholesale companies, 1920, 1922, and 1924*

Items	1920		1922			1924		
	All companies	30 identical companies	All companies	30 identical companies	62 identical companies	All companies	30 identical companies	62 identical companies
Bread production	30.409	31.150	27.739	27.692	28.117	24.877	24.632	25.002
Bread sales	2.993	3.067	2.024	2.026	2.058	1.840	1.836	1.862
Other bakery product sales	.698	.743	.463	.454	.444	.429	.441	.434
Bread and other bakery products sales	3.691	3.810	2.487	2.480	2.502	2.269	2.277	2.296
Bakery operating profit [1]	.216	.225	.240	.264	.250	.226	.265	.255

[1] Bakery operating profit differs slightly from total bakery profit, which includes discounts on purchases and other miscellaneous items.

For the 30 identical companies bread production from 1920 to 1924 fell off about 6½ pounds per dollar of investment as compared with a decline of about 5½ pounds for the all-company group for the same period. Similarly sales of bread for the former group fell about $1.23 per dollar of investment and sales of bread and other bakery products combined $1.55 as compared with declines of $1.15 and $1.42, respectively, for the all-company group.

For the 62 identical company group both production and sales of bread per dollar of investment fell off more from 1922 to 1924 than for the all-company group. Sales of bread and other bakery products, however, declined slightly less for the 62 companies than for the all-company group.

Section 6. Investment and rate of return of house-to-house baking companies.

The investments and rates of return of house-to-house baking companies are presented for the two years 1924–25 only. While this information is also available for another company in 1923, it could not be shown without disclosing the identity of this company, which was regarded as undesirable. The following table, therefore, presents the results for four companies operating eight plants in 1924 and for three companies operating six plants in 1925.

TABLE 54.—*Investment, profit and rate of return for house-to-house baking companies covered, in 1924 and 1925*

Year	Number of companies	Number of plants	Investment			Profit		Rate of return (per cent)		
			Company	Baking		Company	Baking	Company	Baking	
				Unrevised	Revised				Unrevised	Revised
1924	4	8	$2,081,626	$2,299,839	$1,973,964	$347,525	$367,942	16.70	16.00	18.64
1925	3	6	1,410,724	1,458,544	1,135,701	28,745	32,175	2.04	2.21	2.83
Average per year			1,746,175	1,879,192	1,584,832	188,135	200,058	10.77	10.65	12.87

In 1925 the house-to-house companies' earnings were comparatively small, but in 1924 their rate of return on both company and revised investment was slightly larger than that of all the wholesale baking companies combined. Although the house-to-house companies showed a considerable increase in sales realization in 1925, costs rose more than this increase. For those companies and plants for which the investment figures were available, the increase in sales realization amounted to 0.69 cent per pound, but the costs increased over 1 cent per pound with the result that the profit fell from 0.643 of a cent in 1924 to 0.278 of a cent in 1925. For all the house-to-house plants (for some of which the investment was not available) the results were similar. Sales realization rose 1.4 cents per pound, but costs rose 1.7 cents. The profit therefore, fell from 0.476 of a cent per pound in 1924 to only 0.155 of a cent in 1925.

TABLE 55.—*Sales realization, costs and profits per pound, for house-to-house baking companies, 1924 and 1925*

Year	Number of companies	Number of plants	All plants					
			Bread production	Sales		Total cost		Profit	
				Amount	Per pound	Amount	Per pound	Amount	Per pound
			Pounds		*Cents*		*Cents*		*Cents*
1924	-------	10	55,677,172	$4,674,591	8.396	$4,409,800	7.920	$264,791	0.476
1925	-------	11	69,192,327	6,749,078	9.754	6,641,830	9.599	107,248	.155
Companies reporting investment:									
1924	4	8	47,726,421	3,969,683	8.317	3,662,619	7.674	307,064	.643
1925	3	6	26,046,079	2,346,143	9.008	2,273,864	8.730	72,279	.278

Section 7. Realizations, costs, and profits per pound.

Determination of poundage.—Sales realizations, itemized costs, and margins of profit per pound of bread were computed for all the companies for each year for which their financial results were available. They show not only the changes during the period 1920–1925 in the prices, cost of production, and profits of bakers per pound, but also reveal some of the reasons for these changes. The results per pound, it should be noted, are results for all kinds of bread. It was not possible, for example, to effect any separation between white, graham, whole wheat, and rye bread, nor to take account of the differences between machine and hand made or wrapped and unwrapped bread. Baking companies do not maintain records for different kinds and classes of bread, so that it was necessary to disregard these and similar differences.

The poundage figures employed in the computation of these unit figures are not the result of accurate weighing. Baking companies do not keep any record of baked weights produced or sold. Nearly all companies compute the baked weight from the scaling weight, which is the weight of the dough after fermentation, by deducting a certain percentage for shrinkage. This deduction ranges from 10 to 12½ per cent, averaging about 11 per cent. Where scaling

weights were kept the percentages employed by the companies for calculating baked weights were accepted. In some plants, however, no scaling weights were kept. In these cases the number of barrels of flour consumed was multiplied by 285, which is the average number of baked pounds derived from a barrel of flour by a large number of the baking companies which maintained records of scaling weights. Baked bread for the Jewish trade does not contain as much moisture as other breads, and for this and possibly other reasons computations from scaling and baked weights for this bread yielded at most only 260 pounds per barrel of flour. In establishments of this type the bakeries' own computations were employed in arriving at the baked poundage.

Sales realization.—The amount of sales realization per pound is obtained by dividing the total production of bread, computed by the methods described above, into the total realizations from all the sales of bread, including "stales." [5] The resulting realization, therefore, is not the average price per pound paid by the retail dealer or other purchaser of fresh bread, but it is the average price which the companies in question actually received per pound for all the bread sold by them. Practically all stales are disposed of at a considerable loss, and, while the percentage of these returns is small, the greatly decreased price at which they are sold made the company sales realization per pound of bread slightly less than the price paid by the average customer of the wholesaler.

Total ingredients.—The item of total ingredients includes the cost of flour in a pound of bread and also costs of other materials, such as yeast, milk, shortening, salt, sugar, etc.

Manufacturing expense.—The item of manufacturing expense includes labor cost, cost of wrappers, packers' expense, depreciation (except on delivery equipment, which was charged to selling and delivery), light, heat, power, insurance, and State and local taxes. Where depreciation was not separated between plant and delivery equipment the respective investments in these items were employed to make such a distribution. In bakery plants where no division of the items of manufacturing expense was made between bread and other bakery products, factory overhead was divided on the basis of direct labor. Where the company split this item, as was done in most cases, its division was accepted.

Cost to doors.—The item cost to doors represents the total cost of bread up to the time it is to be loaded on the delivery wagons or trucks at the doors of the plants.

Selling and delivery and general and administrative expense.—Where selling and delivery and general and administrative expense were divided by the companies between bread and other bakery products these figures were accepted. In all other cases these expenses were prorated between bread and other bakery products on the basis of sales.

[5] The term employed to designate unsold bread returned by retailers, usually 1 day old.

Table 56 presents sales realization, cost of sales, and margin of profit per pound of bread for all wholesale companies during the period 1920 to 1925:

TABLE 56.—*Sales realization, total cost, and net profit per pound of bread for all wholesale baking companies covered, by years, 1920–1925*

[Cents per pound]

Year	Number of companies	Number of plants	Production in pounds	Sales realization	Total cost	Net profit
				Cents	*Cents*	*Cents*
1920	36	127	1,350,204,617	9.842	9.298	0.544
1921	40	135	1,369,602,521	8.226	7.524	.702
1922	75	183	1,659,524,950	7.296	6.657	.639
Average 3 years			1,459,777,363	8.372	7.743	.629
1923	74	237	2,154,530,845	7.317	6.660	.657
1924	70	223	2,195,232,770	7.398	6.591	.807
1925	51	251	2,351,939,451	7.843	7.036	.807
Average 3 years			2,233,901,022	7.528	6.769	.759
Average 6 years			1,846,839,192	7.861	7.154	.707

An examination of the figures of sales realization shown by this table indicates that the six years may be roughly divided into years of sharply declining sales realization, comprising 1921 and 1922, and years of gradually increasing sales realization, comprising 1923, 1924, and 1925. The year 1922 was the year of lowest sales realization and, with the exception of 1924, the year of lowest costs per pound. From 1920 to 1921 manufacturers' prices of bread, as indicated by the sales realization, fell off over 1½ cents a pound and from 1921 to 1922 nearly another cent. The decline for the two years combined was something over 2½ cents. This sharp decrease in sales realization was probably due in part to a decrease in demand.[6]

From 1920 to 1921 the total cost per pound declined about 1¾ cents, or approximately one-seventh of a cent per pound more than the sales realization, thus increasing the margin per pound in 1921 by this same difference of about one-seventh of a cent. From 1921 to 1922 the decline in costs failed to equal the decline in sales realization, with the result that the profit margin in 1922 was lower than in 1921. From 1920 to 1922, however, the decline in costs exceeded the decline in sales realization by nearly one-tenth of a cent a pound, and the profit margin in 1922, therefore, exceeded that of 1920 by that amount.

The foregoing large declines in costs per pound were brought about primarily by decreases in ingredient costs, particularly flour, as appears from the following table:

[6] Figures compiled for a group of 30 identical companies (Appendix Table 6) show a decline in bread production in 1921 of approximately 24,000,000 pounds, though these companies were operating three more plants in this year than in 1920.

TABLE 57.—*Costs of flour, manufacturing, selling, etc. per pound of bread for all wholesale baking companies covered, by years, 1920–1925*

[In cents]

Year	Flour	Other ingredients	Total ingredients	Manufacturing	Selling and delivery	General and administrative
1920	4.480	1.067	5.547	1.888	1.670	0.193
1921	2.909	.749	3.658	1.909	1.676	.281
1922	2.342	.785	3.127	1.684	1.585	.261
Average 3 years	3.78	.86	4.039	1.817	1.640	.247
1923	2.120	.972	3.092	1.750	1.576	.242
1924	2.111	.913	3.024	1.722	1.596	.249
1925	2.677	.829	3.506	1.658	1.675	.197
Average 3 years	2.312	.903	3.215	1.709	1.617	.228
Average 6 years	2.655	.886	3.541	1.752	1.626	.235

From 1920 to 1921 total ingredient cost fell off nearly 1.9 cents and from 1921 to 1922 again declined over half a cent. The decline from 1920 to 1922 was just short of 2½ cents. The bulk of these decreases were represented by flour, other ingredient costs in either 1921 or 1922 being only approximately 0.3 of a cent less than in 1920.

The other elements of cost do not exhibit declines corresponding to those in flour during the period 1920–1922. Both manufacturing and selling and delivery expense were slightly higher in 1921 than in 1920. The following year both of these items went off considerably, the former about 0.2 and the latter nearly 0.1 of a cent per pound. General and administrative expense, though lower in 1922 than in 1921, was considerably greater in both these years than in 1920. It will be noted that the first year of the table (1920) shows the lowest general and administrative expense, this being the only year, except 1925, when it was less than 0.2 of a cent per pound. By far the highest year for this item was the one immediately following. The explanation doubtless is found in part in the decline in volume of production occurring in 1921 which has been referred to above (see p. 290).

During the second half of the six-year period under consideration the financial results per pound of bread exhibited a somewhat opposite tendency to that shown during the first three years. Sales realization per pound rose steadily, though gradually, from the low figure of 1922, and in 1925 was more than half a cent a pound higher than in 1922. It is to be noted, however, that most of this increase occurred in 1925, the advance in price in 1923 over 1922 and in 1924 over 1923 being very much more moderate. This steady advance in the sales realization was accompanied by a corresponding steady advance of net profit per pound, so that in 1924 and 1925 the companies earned over 0.8 of a cent a pound, the highest profit per pound shown during the six years studied. Even a cursory examination of the total cost figures is sufficient to disclose the fact that the great bulk of this increased profit per pound was due to the increase in prices (sales realization) and not to declines in costs since 1922.

After 1922 total ingredient costs continued the decline of the two preceding years until 1925. In this year, however, a sharp increase occurred, owing to an advance of over half a cent in flour costs per pound of bread over 1924. The movement of other expense items is so mixed that no definite trend is discernible. Manufacturing expense, for example, was generally higher in 1923 than in 1922, while in the following year, though lower than in 1923, it was higher than in 1922. The lowest selling and delivery expense for the entire six-year period was in 1923, and this applies also to general and administrative expense, excepting the years 1920 and 1925. Both selling and delivery and general and administrative were higher in 1924 than in 1923. In 1925 selling and delivery was decidedly higher than in 1924, but general and administrative was lower.

The net effect of all these changes in detailed costs per pound is measured in the figure of total cost and warrants the conclusion expressed above that the increased profits of the bakers in recent years have not come so much though decreased costs as through increased prices (sales realization per pound). In each year following 1922 sales realization has increased more than costs have declined. From 1922 to 1923 costs rose only 0.003 of a cent while sales realization rose 0.021 of a cent. From 1923 to 1924 the former declined only 0.069 of a cent while sales realization increased nearly 0.1 of a cent. From 1924 to 1925 cost increased nearly half of a cent (0.445) per pound instead of decreasing. This increase in costs was exactly the same as the increase in sales realization over 1924. From 1922 to 1925 the increase in sales realization was slightly over 0.5 (0.547) of a cent per pound as compared with an increased cost of slightly over one-third (0.379) of a cent a pound.

The situation during the last three years, as compared with the first three years, shows lower average costs, but not correspondingly lower average realizations, so that there was an increase in the average margin of profit per pound of about 20 per cent.

Section 8. Realizations, costs and profits per pound for exclusively wholesale baking plants.

The realizations, costs and profits shown in the preceding section are those for wholesale baking companies irrespective of the fact that they may have some house-to-house business. With but few exceptions this house-to-house business was done by a plant engaged also in the wholesale business. But even if a company operated a plant engaged exclusively in the house-to-house business, it was included in the company's aggregate results. In consequence, the company results presented include the figures of one house-to-house plant operated by a wholesale company for the whole six years and three house-to-house plants operated by the Continental Baking Company in 1925. In this section a comparison is made of the results of all wholesale plants with the results of plants doing an exclusively wholesale business.

On account of the time, labor, and expense involved when so large a number of years and plants is involved, the more detailed study of costs, particularly in a comparative way for plants, was based upon the four-year period 1922 to 1925. As these analyses involved

plants rather than companies, it was necessary to exclude all companies and plants included in the cost figures in the preceding section where cost data were available for the company as a whole but not for the plants separately. Results for certain of the large Jewish bakeries were also not included in this comparison because the type of loaf manufactured by them is of decidedly different composition than the usual white bread which constitutues the overwhelming proportion of the production, and because this production is practically all hand-made rather than machine-made bread. There were also excluded in these subsequent cost comparisons the results for plants which did not cover a full year. The plants, both exclusively wholesale and wholesale and house to house, that were thus available comprised 115 plants for four years, 61 for three years, 25 for two years, and 21 for one year, which gives a total of 714 "plant years."

The next step was to separate the plants with any house-to-house business from plants selling exclusively at wholesale. Returns obtained by the commission on the marketing of bread showed the type of business done by over 300 commercial baking establishments whether strictly wholesale or house to house or wholesale and house to house combined. These reports were for about the middle of 1926. Baking companies and plants reporting costs and profits by schedule also furnished similar information in their reports. Employing these data as a basis wholesale plants reporting any house-to-house business were eliminated and a tabulation prepared showing the costs and profits of the remaining exclusively wholesale establishments. This group comprises 100 plants for four years, 54 for three years, 23 for 2 years, and 20 for one year, or a total of 628 "plant years." The comparative costs and profits of these two groups of plants for the four years, 1922 to 1925, are as follows:

TABLE 58.—*Comparative realization and costs and profits per pound, of wholesale*[1] *and exclusively wholesale baking plants, 1922–1925 combined*

[Cents per pound]

Item	Wholesale and wholesale and house to house combined	Exclusively wholesale
Flour	2.304	2.283
Other ingredients	.891	.908
Total ingredients	3.195	3.191
Manufacturing	1.674	1.687
Selling and delivery	1.595	1.576
General and administrative	.229	.235
Total cost	6.693	6.689
Profit	.778	.697
Sales realization	7.471	7.386
Total cost to doors of plants	4.869	4.878
Total cost less ingredients	3.498	3.498
Plant years	714	628
Average production per plant per year in pounds	10,392,754	9,961.537

[1] Including combination wholesale and house-to-house plants.

It will be noted that there is scarcely any difference in the total costs for all the plants before and after eliminating those with house-to-house business. In fact, excluding the ingredient expense the costs for both groups are identical (3.498 cents per pound). The most important differences in the results, including and excluding the house-to-house business, are in the sales realizations and profit per pound. In both these items all wholesale plants combined are nearly one-tenth of a cent higher than the exclusively wholesale plants. This is explained by the fact that the realization on the house-to-house business is customarily higher than on the straight wholesale business. The slightly lower expense of the exclusively wholesale plants for selling and delivery should be noted. This is dealt with more fully in a succeeding section.

Section 9. Comparative costs by size of plants.

Method employed.—For the purpose of showing the relation of size of plant to costs and profits of bread, two groupings of plants on the basis of total production for the four years 1922–1925 have been employed. In the first grouping the plants were classified in size groups by steps of 5,000,000 pounds with a subdivision of plants under 10,000,000 by steps of 2,500,000. In the second grouping the plants were thrown into groups with a geometric instead of an arithmetic progression. The starting point used in this geometric progression was 500,000 pounds and the constant multiplier employed for the progression was one and one-half. This multiplier was adopted after tests had been made of other constant multipliers as giving a grouping which was best adapted not only to widening the upper ranges of the size groups as compared with the arithmetical tabulation, but which would at the same time show as even as possible a distribution of the plants within these larger groups. Because of the relatively small number of plants in the smaller groups of this tabulation all plants with a production of less than 1,687,500 pounds were subsequently thrown into a single group.

The plants employed both for the exclusively wholesale and combination wholesale and house-to-house groupings are the same as those in the preceding section where the detailed costs for each of these groups are presented.

Arithmetic size grouping—exclusively wholesale and combination wholesale and house-to-house.—The following table presents the itemized costs per pound of bread for 12 size groups of the plants of wholesale and combination wholesale and house-to-house companies on the arithmetic progression basis referred to above.[7]

[7] It should be noted that the results presented in this table differ slightly from those shown in Tables 10, and 11 in the commission's preliminary report on "Bakery combines and profits," owing to the inclusion in those figures of the results for one plant which subsequent information revealed to be an exclusive house-to-house establishment. In the present figures the results for this plant have been deducted. The changes are insignificant and of no practical importance.

TABLE 59.—*Realizations, costs and profits per pound of bread for plants of wholesale and combined wholesale and house-to-house companies, in size groups, based on arithmetic progression, 1922–1925 combined*

[Cents per pound]

Production per plant in pounds per year	Number of plant years	Average bread production per plant per year	Sales realization	Flour cost	Other ingredient, costs	Total ingredient, costs	Manufacturing	Cost to doors	Selling and delivery	General and administrative	Total cost	Profit	Costs excluding ingredients
		Pounds	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
Under 2,500,000	89	1,509,781	7.807	2.335	1.004	3.339	2.257	5.596	1.485	0.445	7.146	0.661	4.207
2,500,000 to 5,000,000	127	3,724,257	7.358	2.290	.979	3.268	1.809	5.047	1.673	.335	7.055	.303	3.817
5,000,000 to 7,500,000	134	6,220,263	7.426	2.294	.939	3.223	1.803	5.026	1.640	.273	6.939	.487	3.716
7,500,000 to 10,000,000	90	8,654,280	7.499	2.247	.942	3.189	1.792	4.981	1.731	.278	6.990	.509	3.801
Under 5,000,000	216	2,811,348	7.458	2.275	.985	3.260	1.908	5.168	1.631	.365	7.164	.294	3.904
5,000,000 to 10,000,000	224	6,608,199	7.461	2.266	.940	3.206	1.798	5.004	1.684	.275	6.963	.498	3.757
10,000,000 to 15,000,000	122	12,188,816	7.289	2.276	.853	3.129	1.656	4.785	1.599	.233	6.617	.672	3.488
15,000,000 to 20,000,000	49	17,339,696	7.293	2.291	.824	3.115	1.554	4.669	1.503	.210	6.382	.911	3.367
20,000,000 to 25,000,000	42	22,536,268	7.560	2.315	.908	3.223	1.672	4.895	1.575	.211	6.681	.879	3.438
25,000,000 to 30,000,000	27	26,934,739	7.457	2.323	.933	3.256	1.597	4.853	1.449	.156	6.458	1.029	3.202
30,000,000 to 35,000,000	20	32,230,153	7.667	2.391	.766	3.157	1.364	4.521	1.618	.169	6.308	1.359	3.151
Above 35,000,000	14	38,807,557	7.980	2.400	.917	3.317	1.757	5.074	1.621	.158	6.853	1.037	3.536
Average	714	10,392,754	7.471	2.304	.891	3.195	1.674	4.869	1.595	.229	6.693	.778	3.498

An examination of this table shows that in general costs were lower for the larger plants than for the smaller. All groups under 10,000,000 pounds had a higher than average ingredient cost, with the exception of the group 7,500,000 to 10,000,000; all a higher than average cost to doors, and a higher than total average cost. The groups above 10,000,000 all had a lower total cost than the average, except the largest one. Three out of these six groups (20,000,000 to 25,000,000, 25,000,000 to 30,000,000, and above 35,000,000 pounds) were above the average in ingredient costs per pound. Only two (20,000,000 to 25,000,000 and above 35,000,000 pounds) were above the average in cost per pound to doors.

In the more detailed items of cost the groups under 10,000,000 pounds were all higher than average in ingredient costs other than flour, in manufacturing expense, and in general and administrative. With the exception of the smallest group all of them are also higher than average in selling and delivery expense. On the other hand, all of them with the exception of this same group are below average in flour cost.

The groups above 10,000,000 pounds are less consistent. The four largest of these six are above average in flour cost. Three of them are higher than average in the costs for the other ingredients, and three in selling and delivery. Only the largest of these groups, however, is above average in manufacturing expense and only one (10,000,000 to 15,000,000 pounds) in general and administrative expense. All groups of plants producing less than 10,000,000 pounds earned less than the average profit per pound, while all groups above 10,000,000 pounds, with one exception, earned a higher than the average per pound profit. In part, however, this is due to the fact that the sales realization of the larger groups was better than that of the smaller ones.

Geometric size grouping—exclusively wholesale and combination wholesale and house-to-house.—The results of the geometric group tabulation are similar to those presented in the preceding table though there is perhaps even more irregularity in the results for the larger size groups than in the arithmetic grouping. Groups up to 8,542,968 pounds are all higher than average in total ingredient costs, in costs to doors, and total costs. Groups above this capacity are more commonly lower than the average in these three costs, but there are exceptions in each item. In costs for other ingredients than flour, manufacturing, and general and administrative all the five groups up to 8,542,968 pounds are above the average; in selling and delivery three, and in flour costs two, out of the five groups. The four larger size groups with one or two exceptions in each case are below average in all these expenses. Profits are similarly below average for all of the five smallest size groups, but they are also above average for only two of the four largest groups.

TABLE 60.—*Realizations, costs and profits per pound of bread for plants of wholesale and combined wholesale and house-to-house companies, in size groups, based on geometric progression, 1922–1925 combined*

[Cents per pound]

Production, per plant, in pounds per year	Number of plant years	Average bread production per plant per year in pounds	Sales realization	Flour costs	Other ingredient costs	Total ingredient costs	Manufacturing expense	Cost to doors	Selling and delivery	General and administrative	Total cost	Profit	Costs, excluding ingredients
		Pounds	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
Under 1,687,500	44	880,819	7.804	2.457	0.953	3.410	2.357	5.767	1.390	0.544	7.701	0.103	4.291
1,687,500 to 2,531,250	43	2,095,263	7.822	2.281	1.022	3.303	2.211	5.514	1.482	.439	7.435	.387	4.132
2,531,250 to 3,796,875	75	3,187,031	7.473	2.316	.991	3.307	1.861	5.168	1.721	.387	7.276	.197	3.969
3,796,875 to 5,695,312	98	4,850,273	7.382	2.264	.943	3.207	1.771	4.978	1.626	.308	6.912	.470	3.705
5,695,312 to 8,542,968	133	7,063,662	7.436	2.273	.943	3.216	1.806	5.022	1.665	.263	6.950	.486	3.734
8,542,968 to 12,814,452	123	10,460,955	7.398	2.253	.894	3.147	1.719	4.866	1.654	.259	6.779	.619	3.632
12,814,452 to 19,221,678	57	15,288,765	7.224	2.293	.826	3.111	1.601	4.712	1.553	.199	6.464	.760	3.353
19,221,678 to 28,832,517	75	22,027,699	7.551	2.328	.913	3.241	1.631	4.872	1.520	.195	6.587	.964	3.346
28,832,517 to 43,248,775	36	34,662,494	7.724	2.379	.837	3.216	1.534	4.750	1.611	.164	6.525	1.199	3.309
Total	714	10,392,754	7.471	2.304	.891	3.195	1.674	4.869	1.595	.229	6.693	.778	3.498

Arithmetic size grouping, exclusively wholesale.—The exclusion of those plants engaged in house-to-house business does not greatly alter the results shown for all wholesale companies. The size groups up to 10,000,000 pounds production in the arithmetic grouping are all higher than average in total ingredient costs, manufacturing expense, selling and delivery and general and administrative. The groups above 10,000,000 pounds are generally lower than the average in these items, but there are exceptions in every item. In the total ingredient costs four out of the six groups above 10,000,000 pounds are above average, one is above in manufacturing, two in selling and delivery and one in general and administrative.

TABLE 61.—*Realizations, costs and profits per pound of bread for exclusively wholesale plants in size groups based on arithmetic progression, years 1922–1925 combined.*

[Cents per pound]

Production, per plant, in pounds per year	Number of plant years	Average bread production per plant per year	Sales realization	Flour cost	Other ingredient cost	Total ingredient cost	Manufacturing expense	Cost to doors	Selling and delivery expense	General and administrative expense	Total cost	Margin of profit	Cost excluding ingredients
		Pounds	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
Under 2,500,000	68	1,630,049	7.613	2.302	0.973	3.275	2.195	5.470	1.507	0.442	7.419	0.194	4.144
2,500,000 to 5,000,000	113	3,742,891	7.298	2.258	.890	3.238	1.786	5.024	1.619	.343	6.986	.312	3.748
5,000,000 to 7,500,000	127	6,257,956	7.408	2.261	.948	3.209	1.797	5.006	1.649	.258	6.913	.495	3.704
7,500,000 to 10,000,000	84	8,597,702	7.478	2.261	.833	3.194	1.781	4.975	1.704	.286	6.964	.514	3.770
Under 5,000,000	181	2,948,011	7.363	2.267	.979	3.246	1.871	5.117	1.596	.363	7.076	.287	3.830
5,000,000 to 10,000,000	211	6,194,419	7.441	2.281	.841	3.222	1.769	4.991	1.675	.271	6.937	.504	3.735
10,000,000 to 15,000,000	115	12,394,457	7.251	2.293	.853	3.211	1.640	4.790	1.585	.217	6.592	.659	3.471
15,000,000 to 20,000,000	47	17,394,500	7.299	2.287	.823	3.110	1.550	4.660	1.494	.212	6.366	.933	3.356
20,000,000 to 25,000,000	34	22,299,673	7.459	2.287	.924	3.211	1.582	4.793	1.477	.222	6.492	.967	3.281
25,000,000 to 30,000,000	22	27,140,247	7.514	2.311	.971	3.282	1.595	4.877	1.500	.158	6.535	.979	3.253
30,000,000 to 35,000,000	10	32,065,302	7.256	2.407	.792	3.199	1.588	4.787	1.619	.159	6.565	.691	3.366
Over 35,000,000	8	37,687,034	7.706	2.298	1.067	3.335	1.956	5.291	1.559	.155	7.005	.701	3.670
Total	628	9,961,537	7.386	2.283	.908	3.191	1.687	4.878	1.576	.235	6.689	.697	3.498

Geometric size grouping, exclusively wholesale.—In the geometric size grouping all six groups of plants up to 12,814,452 pounds were lower than average in total ingredient costs (with one exception. 3,800,000 to 5,700,000 pounds), in manufacturing expense, in general and administrative and in total costs both including and excluding ingredients. Both of the smallest size groups, however, were appreciably below the average in selling and delivery.

Of the three largest size groups above 12,814,452, two were above average in ingredient costs and one in manufacturing expense and in total costs including ingredients, while one was exactly average in selling and delivery. Only in general and administrative expense and total cost excluding ingredients were the three largest size groups all below average. In profit the six smallest groups were all below average, while the three largest were all above.

TABLE 62.—*Realizations, costs and profits per pound of bread for exclusively wholesale plants in size groups based on geometric progression, years 1922–1925 combined*

[Cents per pound]

Production, per plant, in pounds per year	Number of plant years	Average bread production per plant per year	Sales realization	Flour cost	Other ingredient costs	Total ingredient costs	Manufacturing expense	Cost to doors	Selling and delivery expense	General and administrative expense	Total cost	Profit	Cost excluding ingredients
		Pounds	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
Under 1,687,500	31	1,029,691	7.799	2.417	0.987	3.404	2.356	5.760	1.406	0.532	7.698	0.101	4.294
1,687,500 to 2,531,250	35	2,108,309	7.539	2.251	.960	3.211	2.118	5.329	1.300	.411	7.240	.299	4.029
2,531,250 to 3,796,875	66	3,197,311	7.411	2.335	.989	3.324	1.833	5.157	1.652	.406	7.215	.196	3.891
3,796,875 to 5,695,312	88	4,849,215	7.428	2.274	.972	3.246	1.750	4.996	1.623	.282	6.941	.487	3.655
5,695,312 to 8,542,968	131	7,083,219	7.434	2.298	.902	3.210	1.606	4.816	1.666	.263	6.745	.689	3.605
8,542,968 to 12,814,452	110	10,491,751	7.340	2.250	.890	3.140	1.704	4.844	1.610	.269	6.732	.698	3.592
12,814,452 to 19,221,678	85	15,269,752	7.226	2.281	.827	3.108	1.599	4.707	1.548	.201	6.456	.770	3.348
19,221,678 to 28,832,517	62	23,433,174	7.513	2.312	.936	3.248	1.580	4.828	1.489	.202	6.519	.994	3.271
28,832,517 to 43,248,775	20	34,009,511	7.418	2.314	.921	3.235	1.731	4.966	1.676	.161	6.703	.715	3.468
Total	628	9,961,521	7.386	2.288	.906	3.191	1.687	4.878	1.576	.235	6.689	.697	3.498

The comparison of the various size groups shown in the foregoing table reveal certain interesting facts with reference to the lowest cost size groups for wholesale and combination wholesale and house-to-house companies. In the arithmetic grouping of the latter the lowest total costs, both including and excluding ingredients, are shown by the 30,000,000–35,000,000 pound group. On the geometric basis the lowest total cost is shown by the 13,000,000–19,000,000 pound group and the lowest cost excluding the ingredient expense by the 29,000,000–43,000,000 pound group.

For the exclusively wholesale companies the lowest total costs, including and excluding ingredients, on the arithmetic basis are shown by the 15,000,000–20,000,000 and the 25,000,000–30,000,000 pound groups, respectively. It will be noted, however, that the costs of the latter groups, excluding ingredients, are only 0.003 cent below that of the 15,000,000–20,000,000 pound group. On the geometric basis the 13,000,000–19,000,000 pound group has the lowest total cost including ingredients and the 19,000,000–29,000,000 the lowest excluding the ingredient expense.

In the foregoing table more weight should be attached to the results excluding the ingredients. Examination of these tables shows that the very low costs for certain groups are due in large measure to the ingredient expense, and while it is possible that there may be better and more efficient purchasing in certain of these groups, the lower total costs including ingredients may well be due to other factors. In the first place, as has already been pointed out, the unit costs of bread presented in this report of the business are costs of a composite loaf which included not only the ordinary bakery white loaf but also French, Vienna, rye, graham, whole wheat, rolls, etc. This involves differences in flour costs. Different types also call for different quantities of other materials than flour. As a result, therefore, it is conceivable that favorable or unfavorable ingredient results for a particular group may arise from variations such as those mentioned. In addition there are the differences in the geographical distribution of the plants for the different size groups. An appreciable item in the cost of flour for certain of the plants located in the eastern portion of the country is freight. This item alone in the case of some plants has been found to run somewhat over a dollar a barrel, or over 0.3 cent per pound of bread, figuring 300 loaves to the barrel. A study of the distribution of the plants within the size groups leads to the conclusion that in certain of the larger groups a higher ingredient and, consequently, higher total cost in comparison with certain other of the groups is probably due to higher flour freight rates.

More weight should also be given to the figures for exclusively wholesale plants than to those for combination wholesale and house-to-house plants. This is because the company doing a house-to-house business will probably produce a more varied line of bread than the straight wholesale company, and such production will involve a relatively higher proportion of handmade bread. In addition selling and delivery expense is appreciably higher in house-to-house than in wholesale business, and a wholesale plant also engaged in operating house-to-house routes would, other things being equal, show a higher selling and delivery expense than an exclusively wholesale plant.

Intermediate and largest size group averages.—In view of the fact that the lowest costs are shown by some one or another of the intermediate size groups instead of the largest, irrespective of whether the arithmetic or geometric grouping is used and also irrespective of whether all plants or only exclusively wholesale establishments are employed, still further analyses were undertaken. In the first place the exclusively wholesale plants were set up by years on both the arithmetic and geometric bases. In every year on both bases the lowest total costs, both including and excluding ingredients, were shown by some one or another of the intermediate size groups. In no case did the largest size group show the lowest cost. The figures are shown in detail in Appendix Tables 7 and 8.

For a considerable proportion of the exclusively wholesale plants figures were available for a little less than the four full years, 1922–1925. For some the data covered only one year, for others only two, and for still others, three. For only those plants (100 in number) for which cost figures for the full period of four years were available size groupings by arithmetical and by geometrical progression were made. These figures, both for the four years combined and for the individual years, showed substantially similar results to those in the preceding tabulations, namely lower costs for some one or another of the intermediate size groups below the larger or the largest. These figures are presented in Appendix Tables 9 to 11. Despite the general agreement of these results shown on these different bases, the indicated advantages of the intermediate size groups of companies are not conclusive owing to the differences in costs and in distribution among size groups of the plants of the larger multiple-plant companies. Three companies, Ward, General, and Continental, dominate all of the larger size groups from about 12,000,000 pounds up. For example, in the 12,000,000–19,000,000 pound group of exclusively wholesale plants in 1925 the results for these companies include 19 out of a total of 26 plants; in the 19,000,000–28,000,000 pound group 14 out of 16 plants; and in the largest size group 4 out of a total of 4 plants.

These three companies, as is subsequently shown (section 14), have widely varying average costs, and there are even greater variations between them in particular size groups. The results for largest size groups, therefore, are probably conditioned less by the size of the plants than by the difference in the costs of these three companies and the differences in importance of such companies in the several size groups. This situation was disclosed by separate size group tabulations for the Ward and General Baking Companies for the four years and for the Continental for 1925, and in 1922, 1923, and 1924 for plants subsequently acquired by it on which the commission had obtained data. This tabulation established definitely the fact that for the four-year period total costs, excluding ingredients, for the exclusively wholesale plants of the General Baking Co. fell with comparative regularity from the largest to the smallest size group in both geometric and arithmetic groupings. For the Ward Baking Co. there was also a decline, though a very irregular one, from the smallest to the largest size group on the geometric basis but the largest arithmetic size group showed slightly higher costs than the smallest.

The relative costs, excluding ingredients, of the various geometric size groupings for these two companies, 1,000 being used to represent the lowest cost, were as follows:

TABLE 63.—*Relatives of total costs per pound, excluding ingredients, for exclusively wholesale plants of Ward and General Baking companies by geometric size groupings, 1922–1925, the lowest cost being taken as 1,000*

Production in pounds per year	Ward	General	Production in pounds per year	Ward	General
Under 1,687,500		2,252	8,542,968–12,814,452	1,192	1,210
1,687,500–2,531,250	1,300	1,382	12,814,452–19,221,678	1,234	1,115
2,531,250–3,796,875	1,158	1,316	19,221,678–28,832,517	1,053	1,028
3,796,875–5,695,312	1,079	1,280	28,832,517–43,248,775	1,000	1,000
5,695,312–8,542,968	1,160	1,197	Total plant years	62	86

It is the particular differences in the costs of these two companies together with their different importance in the largest size groups as compared with the medium and smallest that account for the fact repeatedly shown by the prior tabulations that the largest size groups are not the lowest cost groups. In the case of the Continental in 1925 and those of its predecessor companies from which reports were obtained by the commission in 1922, 1923, and 1924, a situation appears closely resembling the results shown for all companies—that is, the lowest costs not only in total but by years (with a single exception) are shown by intermediate size groups regardless of whether the arithmetic or geometric basis of grouping be employed. It should be noted in this connection that there are no Continental plants above 28,832,517 pounds.

TABLE 64.—*Relatives of total costs per pound, excluding ingredients, for exclusively wholesale plants of the Continental Baking Co.*[1] *by specified size groupings, the lowest cost being taken as 1,000*

GEOMETRIC

Production in pounds per year	Years				Four years	
	1922	1923	1924	1925	Number of plant years	Relatives
Under 1,687,500				2,252	2	2,195
1,687,500 to 2,531,250	1,094	1,156	1,458	1,247	13	1,273
2,531,250 to 3,796,875	1,422	1,316	1,313	1,439	19	1,330
3,796,875 to 5,695,312	1,195	1,111	1,137	1,137	35	1,122
5,695,312 to 8,542,968	1,342	1,097	1,116	1,140	53	1,132
8,542,968 to 12,814,452	1,173	1,050	1,000	1,056	51	1,040
12,814,452 to 19,221,678	1,000	1,048	1,028	1,000	36	1,000
19,221,678 to 28,832,517	1,232	1,000	1,021	1,078	14	1,045
28,832,517 to 43,248,775						
Average	1,172	1,066	1,060	1,072	223	1,065

ARITHMETIC

Under 2,500,000	1,090	1,165	1,487	1,371	15	1,319
2,500,000 to 5,000,000	1,336	1,192	1,228	1,254	40	1,208
5,000,000 to 7,500,000	1,207	1,147	1,143	1,108	52	1,119
7,500,000 to 10,000,000	1,337	1,057	1,110	1,125	32	1,109
10,000,000 to 15,000,000	1,109	1,033	1,000	1,004	48	1,002
15,000,000 to 20,000,000	1,000	1,083	1,041	1,000	23	1,000
20,000,000 to 25,000,000	1,227	1,000	1,041	1,031	9	1,037
25,000,000 to 30,000,000		1,027	1,086	1,082	4	1,056
30,000,000 to 35,000,000						
Over 35,000,000						
Average	1,167	1,074	1,080	1,062	223	1,060

[1] From 1922–1924 the plants included are those subsequently absorbed by Continental Co. for which the commission had obtained costs.

The results of these groupings for Continental plants are interesting and important, because, although this company has no plants falling in the largest geometric size grouping and none in the two largest arithmetic groupings, the lowest costs are shown by intermediate size groups and not the largest. Additional interest attaches to these tabulations because they include 223 plant years or more than one-third of all the 628 plant years included in the exclusively wholesale groupings and more than one and one-half the number of Ward and General combined. As the financial results of the Continental were not reported until 1925 the plants in the 1922, 1923, and 1924 groupings are the results of a large number of plants subsequently acquired by the Continental from which the commission had procured cost figures. These included a large number of the largest and most important single and multiple plant companies acquired by Continental, including the United Bakeries Corporation.

On the geometric basis the lowest cost size grouping for all four years combined is the 13,000,000–19,000,000 pound group, which is also the lowest cost group in two years of the period. The largest size group shows the lowest cost only in 1923, while the 8,500,000–13,000,000 pound group was the lowest in 1924.

In the arithmetic grouping the lowest cost group for all four years combined is the 15,000,000–20,000,000 pound group. The largest size group does not show the lowest cost in any year, the 15,000,000–20,000,000 pound group being lowest in the first and last of the four years, the 20,000,000–25,000,000 in 1923 and the 10,000,000–15,000,000 in 1924.

Distribution of different-sized plants by cost ranges.—Another method of analyzing the results by size is by distributing plants in various size groups according to various cost ranges. In Tables 65 and 66 the numbers and percentages of plant years in different size groups are cumulated by cost ranges of one-half a cent. The figures presented are for costs, excluding ingredients on both the geometric and arithmetic bases.

TABLE 65.—*Distribution of "plant years" for exclusively wholesale plants in specified geometric size groups according to costs per pound of bread (excluding ingredients) 1922–1925*

	Under 3 cents		Under 3.5 cents		Under 4 cents		Under 4.5 cents		Under 5 cents		5 cents and over		Total	
	Number of plant years	Per cent	Number of plant years	Per cent	Number of plant years	Per cent	Number of plant years	Per cent	Number of plant years	Per cent	Number of plant years	Per cent	Number of plant years	Per cent
Under 1,687,500	6	19.4	11	35.5	14	45.2	19	61.3	23	74.2	8	25.8	31	100
1,687,500 to 2,531,250			10	28.6	18	51.4	27	77.1	34	97.1	1	2.9	35	100
2,531,250 to 3,796,875	2	3.0	20	30.3	39	59.1	59	89.4	64	97.0	2	3.0	66	100
3,796,875 to 5,695,312	4	4.6	32	36.8	74	85.1	85	97.7	87	100.0			87	100
5,695,312 to 8,542,968	12	9.1	44	33.3	89	67.4	121	91.7	130	98.5	2	1.5	132	100
8,542,968 to 12,814,452	22	19.8	58	52.3	81	73.0	100	90.1	107	96.4	4	3.6	111	110
12,814,452 to 19,221,678	27	32.1	48	57.1	70	83.3	82	97.6	84	100.0			84	100
19,221,678 to 28,832,517	27	43.5	40	64.5	50	80.6	58	93.5	62	100.0			62	100
28,832,517 to 43,248,775	3	15.0	9	45.0	17	85.0	20	100.0	20	100.0			20	100
Total	103	16.4	272	43.3	452	72.0	571	90.9	611	97.3	17	2.7	628	100

The figures in the geometric grouping bring out the fact that there is a surprisingly large proportion of plants with very low costs in the smaller size groupings. Nineteen per cent of all the plant years under 1,687,500 pounds, for example, show a cost of less than 3 cents excluding ingredients, 35.5 per cent a cost of less than 3.5 cents, and 45.2 per cent a cost of under 4 cents. Again the group from 3,800,000 to 5,700,000 pounds shows 85.1 per cent of its total plant years under 4 cents, which is the highest proportion of any group. Only the largest size group has all of its plant-years under 4.5 cents.

On the arithmetic basis, which is shown in the following table, none of the groups except the three smallest has any plants with costs above 5 cents:

TABLE 66.—*Distribution of "plant years" for exclusively wholesale plants in specified arithmetic size groups according to costs per pound of bread (excluding ingredients) 1922–1925*

	Under 3 cents		Under 3.5 cents		Under 4 cents		Under 4.5 cents		Under 5 cents		Over 5 cents		Total	
	Number of plant years	Per cent	Number of plant years	Per cent	Number of plant years	Per cent	Number of plant years	Per cent	Number of plant years	Per cent	Number of plant years	Per cent	Number of plant years	Per cent
Under 5,000,000	12	6.7	62	34.4	111	61.7	151	83.9	169	93.9	11	6.1	180	100
5,000,000 to 10,000,000	19	9.0	72	34.0	148	69.8	195	92.0	207	97.6	5	2.4	212	100
10,000,000 to 15,000,000	29	25.2	65	56.5	91	79.1	109	94.8	114	99.1	1	.9	115	100
15,000,000 to 20,000,000	18	38.3	30	63.8	41	87.2	45	95.7	47	100.0	----	----	47	100
20,000,000 to 25,000,000	15	44.1	22	64.7	27	79.4	31	91.2	34	100.0	----	----	34	100
25,000,000 to 30,000,000	8	36.4	14	63.6	19	86.4	22	100.0	22	100.0	----	----	22	100
30,000,000 to 35,000,000	2	20.0	5	50.0	9	90.0	10	100.0	10	100.0	----	----	10	100
Over 35,000,000	----	----	2	25.0	6	75.0	8	100.0	8	100.0	----	----	8	100
Total	103	16.4	272	43.3	452	72.0	571	90.9	611	97.3	17	2.7	628	100

The largest proportion of plant years under 3.5 cents is found in the 20,000,000–25,000,000 pound group and the next largest in the 15,000,000–20,000,000 group.

Observations on size and cost.—The results of these various tabulations indicate that costs are on the whole lower for the larger than for the smaller sized plants. It is true that there are some indications that plants of a size a little below the largest may be sometimes lower in cost as is indicated by the figures for the plants operated by the Continental. But, on the other hand, the results for Ward and General show costs which decrease more or less continuously with increase in volume of production up to the largest sizes of plants in operation. This, no doubt, is due in part to the fact that the largest plants are likely to be more largely automatic,[8] so that the production of hand made or bench bread is relatively so small as to increase manufacturing costs but slightly.[8]

This, however, is not the full explanation because there is also a wide variation in selling and delivery expenses per pound between wholesale plants. There are cases where one plant will show practically

[8] For discussion of manufacturing costs in relation to bench and automatic bread, see sec. 11.

double the expense per pound of another with practically the same production, and it by no means follows that the large plants may not have as high or even higher delivery expense than the smaller.

Section 10. Comparative costs of single plant and multiple plant companies.

In total.—Because of the numerous consolidations which have taken place in the baking industry, and the numerous advantages claimed for such consolidations, particularly with reference to a reduction of costs and, by implication at least, to lower bread prices to the consumer, it is of interest to compare the costs of the plants of single plant companies with those of the plants of multiple plant companies. The number of plants included in this comparison and their method of selection were the same as those employed for the comparison of the costs of all plants by size groups presented in section 9 (p. 264). The following table presents sales realization, detailed costs, and margins of profit per pound of bread separately for the wholesale plants of single and multiple plant companies consolidated for the four years 1922–1925. No single plant company operated a plant with a production in excess of 30,000,000 pounds, but there were a few plants of multiple plant companies with a production in excess of this figure. For this reason the figures for the plants of the multiple plant companies are presented for the plants with a production up to 30,000,000 pounds as well as for all plants.

TABLE 67.—*Realizations, costs, and profits per pound of bread for plants of all single and multiple plant wholesale companies* [1] *1922–1925*

[Cents per pound]

Item	Plants of single-plant companies up to 30,000,000 pounds	Plants of multiple-plant companies	
		Up to 30,000,000 pounds	All plants
Flour	2.308	2.282	2.303
Other ingredients	.956	.889	.879
Total ingredients	3.264	3.171	3.182
Manufacturing	1.626	1.717	1.683
Selling and delivery	1.534	1.604	1.607
General and administrative	.405	.201	.194
Total cost	6.829	6.693	6.666
Profit	5.64	.728	.821
Sales realization	7.393	7.421	7.487
Total cost to doors of plant	4.890	4.888	4.865
Total cost less ingredients	3.565	3.522	3.484
Plant years	187	493	527
Average production per plant	6,507,847	10,169,880	11,771,271

[1] Includes the results for certain wholesale plants doing varying proportions of house-to-house business.

The results included in the foregoing table are for the plants of wholesale companies irrespective of whether engaged in house-to-house distribution or not. A similar computation was therefore prepared showing the results for wholesale companies excluding those plants which were engaged to any extent in house-to-house distribution. The plants included in this comparison are the same as those composing the exclusively wholesale group, the results for which were presented in the preceding section.

TABLE 68.—*Realizations, costs, and profits per pound of bread for exclusively wholesale plants of single and multiple plant companies, 1922–1925*

[Cents per pound]

Item	Plants of single-plant companies up to 30,000,000 pounds	Plants of multiple-plant companies	
		Up to 30,000,000 pounds	Total
Flour	2.292	2.272	2.280
Other ingredients	.958	.893	.897
Total ingredients	3.250	3.165	3.177
Manufacturing	1.605	1.698	1.706
Selling and delivery	1.547	1.581	1.582
General and administrative	.392	.205	.199
Total cost	6.794	6.649	6.664
Profit	.572	.729	.725
Sales realization	7.366	7.378	7.389
Total cost to doors of plant	4.855	4.863	4.883
Total cost less ingredients	3.544	3.484	3.487
Plant years	163	447	465
Average production per plant	7,121,712	10,006,368	10,956,981

Including and excluding house-to-house business.—On the whole the inclusion or exclusion of wholesale plants engaged in part in house-to-house business makes little difference in the comparative results for the single-plant and multiple-plant companies, each group considered as a whole. This is indicated by the fact that the total costs of both plants of single plant and plants of multiple plant companies of comparable size (up to 30,000,000 pounds) are only about three or four hundredths of a cent lower when plants doing house-to-house business are excluded. It should be noted, however, that eliminating the house-to-house business results in some decline in selling and delivery expense for the plants of multiple plant companies. On the other hand, the selling and delivery expense of the plants of single-plant companies is actually increased by the elimination of plants doing house-to-house business.

The plants of multiple-plant companies show lower total costs than do the plants of single-plant companies by between one-tenth and two-tenths of a cent per pound. Multiple-plant companies are lower in flour costs, in costs of other ingredients and, consequently, in total ingredient costs. A considerable part of the advantage in total cost of the plants of multiple-plant companies lies in the item of ingredients. This is shown by a comparison of the total costs excluding ingredient costs, from which it appears that, excluding the item of ingredients, the plants of single-plant companies are less than one-tenth of a cent per pound higher than the plants of multiple-plant companies up to 30,000,000 pounds. Single-plant companies are generally lower in manufacturing expense and also in selling and delivery. Their lower cost for these items more than offsets the lower ingredient costs of the multiple-plant companies, with the result that the plants of single-plant companies show slightly lower expense than the plants of multiple-plant companies taking into account all items of expense except general and administrative.

This advantage of the single plant companies in total costs before including general and administrative expense is removed by its inclusion. The general and administrative expense for multiple plant companies is distributed on the basis of the total sales for all plants combined. Roughly, general and administrative expense of the plants of single plant companies averages twice that of those operating more than one plant. This situation is doubtless the result of the greater volume of business done by companies operating two or more plants. Thus a company operating both a very large and a very small plant would presumably show appreciably lower costs per pound for general and administrative expense for the small plant than would be shown for a similar small plant operated independently.

Executive salaries and profits.—In this connection, however, it may be pointed out that some information has been obtained by the commission indicating that in the case of the single plant companies a considerable portion of profits may be absorbed in salaries paid to executive officers. Many of the single plant companies are or were in one or more of the years in question close corporations or, if not incorporated, have been establishments controlled by a particular individual or family. It is obvious that in such an organization profits may be distributed in salaries to individuals in executive positions instead of in dividends on stocks. Because of these factors a comparison of executive salaries in single and multiple plant companies was made for the year 1924. The reason for the selection of 1924 was because this was the year in which these figures were available for the largest number of single plant companies. The following table shows the averages and ranges for executive salaries in single and multiple plants of comparable size. The plants represented include all those for which it was possible to separate executive salaries from other general and administrative expense.

TABLE 69.—*Comparative executive salaries per pound of bread in plants of single and plants of mulliple plant companies of specified quantities of production in 1924*

Production	Plants of single plant companies			Plants of multiple plant companies		
	Number	Salaries		Number	Salaries	
		Average in cents per pound	Range in cents per pound		Average in cents per pound	Range in cents per pound
Under 2,500,000	6	0.306	0.12–0.71	2	0.073	0.05–0.11
2,500,000 to 5,000,000	5	.240	.16 .36	11	.092	.03 .22
5,000,000 to 7,500,000	6	.214	.07 .34	11	.075	.04 .17
7,500,000 to 10,000,000	8	.292	.08 .57	8	.071	.03 .14
10,000,000 to 15,000,000	5	.147	.08 .22	9	.086	.03 .15
Over 15,000,000	4	.132	.07 .25	10	.065	.03 .16
All plants	34	.195	.07 .71	51	.074	.03 .22

The average executive salary per pound of bread reported by the single plant companies was about two and one-half times that reported for the multiple plant companies. For the individual size groups the average of the single plant companies ran all the way from two to four times the average for the multiple plant companies. In only one size group for the multiple plant companies (2,500,000 to 5,000,000 pounds) did the maximum executive salary expense for any plant amount to as much as two-tenths of a cent. In most of the groups for

the single plant companies the maximum was above two-tenths of a cent and was over one-half a cent for the plants under 2,500,000 pounds (0.71 of a cent) and for the 7,500,000 to 10,000,000 pound group (0.57 of a cent). The comparatively wide spread between the single plant companies reporting the lowest and highest executive salaries per pound in the same size group suggests that in a number of instances the general and administrative expense figures for such plants may be much higher than it needs to be for a plant of approximately that size and that this may be due to the withdrawal of profits in the form of such salaries. For example, in both the group under 2,500,000 pounds and the group from 7,500,000 to 10,000,000 pounds, the highest executive salaries were approximately one-half cent a pound greater than they were for plants of approximately the same size in that group showing the lowest salaries per pound.

Summing up, therefore, it may be stated that the plants of multiple plant companies taken as a whole show an advantage over the plants of single plant companies in ingredient costs and in general and administrative expense, whereas, the single plant companies show lower manufacturing costs and lower selling and delivery expenses. The most important difference in favor of the plants of the multiple plant companies is in the general and administrative expense in which they are nearly two-tenths of a cent lower per pound than the plants of single plant companies.

Reason for size group comparison.—This somewhat more favorable showing in favor of the plants of the multiple plant companies, however, is due to combining all plants irrespective of size. As has already been shown in the preceding section, the larger plants on the whole had lower costs than the smaller ones. Out of 163 plant years of the exclusively wholesale single plant companies there are only 14, or less than 9 per cent of the total in which production was from fifteen to thirty million pounds and 38, or less than 24 per cent in which it was above 10,000,000. Among the exclusively wholesale plants of the multiple plant companies, on the other hand, 91 out of 447 plant years up to the 30,000,000 pounds capacity, or 20 per cent, are over 15,000,000 pounds and 182, or over 40 per cent, over 10,000,000. Hence a more detailed analysis of the figures by size groups has been prepared in which the plants of the single plant companies are compared with those of multiple plant companies of approximately the same size. The figures are shown on both an arithmetic and geometric basis, the size groups employed being the same as were used in the discussions of a preceding section relating to the effects of size upon the costs of production and distribution.

In Appendix Tables 12 and 13 are shown the itemized costs for all the plants (wholesale and wholesale and house-to-house combined) of both single and multiple plant companies. The two following Appendix Tables (14 and 15) present the results on the same basis for the exclusively wholesale companies.

In a number of respects these figures confirm the general conclusions stated above on the basis of the averages for all single plants and for all multiple plants, i. e., that the plants of multiple plant companies have lower ingredient costs and general and administrative expense, whereas the single plant companies have lower manufacturing and selling and delivery costs.

Ingredients and general and administrative expense by size groups.—In cost of ingredients only one size group of the single plant companies is below the costs for the plants of multiple plant companies in the combination wholesale and wholesale and house-to-house companies on either the arithmetic or geometric basis. For the exclusively wholesale groups, one of the single plant groups is below the multiples on the arithmetic and one on the geometric basis. In general and administrative expense there is even greater uniformity. For the combination wholesale and wholesale and house-to-house plants the multiples are lower in every size group on the arithmetic basis and every one, except the smallest, on the geometric basis. Results are the same for the exclusively wholesale plants, only the smallest single plant group on the geometric basis being below the general and administrative expense figures of the plants of multiple plant companies.

Manufacturing, selling, and delivery expense by size groups.—Substantially the reverse holds for manufacturing and selling and delivery. For the wholesale and combination wholesale and house-to-house plants the plants of the single plant companies are lower in manufacturing expense in every size group, except one in the geometric grouping. For the exclusively wholesale plants those of the single plant companies are lower in every size group both on a geometric and on an arithmetic basis.

Plants of single plant companies, wholesale and combination wholesale and house to house, are lower than the multiples in selling and delivery in all size groups, except one on the arithmetic and two on the geometric basis. The showing for the exclusively wholesale plants of single plant companies is less favorable. On the arithmetic basis there are three groups out of the ten in which the single plant companies are above the multiples and two groups out of eight on the geometric basis.

Total cost comparisons, excluding and including ingredients.—The net results of these differences in the various itemized costs are reflected in the total costs of producing and distributing. These total costs for the groups are considered both including and excluding the costs for ingredients. There are several reasons for the employment of both bases. The first and perhaps the most important is that there is no assurance that the ingredients employed by the plants of single and multiple plant companies in the various size groups are identical. The second is that a considerable element in ingredient costs is freight on flour. Freight rates on flour in the east frequently run over a dollar a barrel which is equivalent to over 0.3 of a cent a pound based on 300 pounds of bread to the barrel. Though the size groups of the multiple plant companies are too consistently below those of single plants in ingredient costs to lead to the opinion that the results would be radically different if both the foregoing factors could be properly taken into account, it is at least possible that the difference in ingredient costs for some of the size groups might be lessened. Still another reason for presenting the total cost figures after deducting ingredient expense is that these costs measure the actual producing and selling ability of the company irrespective of whether the cost for those ingredients is high or low. A company may have higher costs because of unfavorable freight rates, but its producing and distributing mechanism may still be operated more efficiently.

In the case of bread this is of more importance than in many commodities by reason of the relatively limited area of distribution. Plants in New York all labor under the handicap of higher freight rates on flour than western plants have to pay. But the New York plant does not compete with the western plants. Each is less at a disadvantage from the difference in ingredient costs, and prices to the consumer are relatively more dependent upon costs over ingredient expenses than would otherwise be the case. In the following tables, therefore, both bases are employed.

Wholesale and combined wholesale and house-to-house comparisons.—Taking first the size grouping on the arithmetic basis for wholesale plants, including the house-to-house business, it appears that the single plant companies showed lower total costs per pound in 6 out of the 10 size groups for which comparisons could be made. For the comparison by steps of five million pounds the single plants were lower in four out of the six instances, the plants of the mutiple plant companies being lower in the 5,000,000–10,000,000 and 15,000,000–20,000,000 pound groups:

TABLE 70.—*Comparative total costs including and excluding ingredients for wholesale and combined wholesale and house-to-house plants of single and multiple plant companies by arithmetic size groupings, 1922–1925 combined*

[Cents per pound]

Production per plant per year in pounds	Total cost		Ingredients		Total cost excluding ingredients	
	Single	Multiple	Single	Multiple	Single	Multiple
Under 2,500,000	7.459	7.622	3.518	3.184	3.941	4.438
2,500,000 to 5,000,000	6.819	7.169	3.280	3.217	3.539	3.952
5,000,000 to 7,500,000	7.041	6.911	3.359	3.186	3.682	3.725
7,500,000 to 10,000,000	7.177	6.910	3.303	3.141	3.874	3.769
Under 5,000,000	7.004	7.251	3.349	3.211	3.655	4.040
5,000,000 to 10,000,000	7.118	6.911	3.328	3.165	3.790	3.746
10,000,000 to 15,000,000	6.609	6.620	3.130	3.128	3.479	3.492
15,000,000 to 20,000,000	6.708	6.343	2.992	3.130	3.716	3.213
20,000,000 to 25,000,000	6.544	6.694	3.408	3.204	3.136	3.490
25,000,000 to 30,000,000	6.404	6.471	3.299	3.245	3.105	3.226
Total up to 30,000,000	6.829	6.693	3.264	3.171	3.565	3.522
30,000,000 to 35,000,000	----------	6.308	----------	3.157	----------	3.151
Over 35,000,000	----------	6.853	----------	3.317	----------	3.536
Total	6.829	6.666	3.264	3.182	3.565	3.484

When ingredients are excluded, in which the plants of the multiple-plant companies are practically always lower, the result is more in favor of the single-plant companies. On this basis 7 out of the 10 groups which can be compared show lower costs for the single plants. Four of these groups are in the six by steps of 5,000,000 pounds and the other three in the four groups by steps of 2,500,000 pounds.

On the geometric basis of grouping the results are not quite so favorable to the single-plant companies.

TABLE 71.—*Comparative total costs including and excluding ingredients for wholesale and combined wholesale and house-to-house plants of single and multiple plant companies by geometric size groupings, 1922–1925, combined*

[Cents per pound]

Production per plant per year in pounds	Total costs		Ingredients		Total cost, excluding ingredients	
	Single	Multiple	Single	Multiple	Single	Multiple
Under 1,687,500	7.291	8.864	3.471	3.237	3.820	5.627
1,687,500 to 2,531,250	7.604	7.336	3.559	3.152	4.045	4.184
2,531,250 to 3,796,875	6.948	7.462	3.401	3.253	3.547	4.209
3,796,875 to 5,695,312	6.850	6.933	3.226	3.200	3.624	3.733
5,695,312 to 8,542,968	7.133	6.893	3.297	3.190	3.836	3.703
8,542,968 to 12,814,452	6.801	6.772	3.243	3.116	3.558	3.656
12,814,452 to 19,221,678	6.617	6.442	3.050	3.120	3.567	3.322
19,221,678 to 28,832,517	[1] 6.521	6.582	[1] 3.311	3.224	[1] 3.210	3.358
Total	6.829	6.697	3.264	3.172	3.565	3.525
28,832,517 to 43,248,775 [2]	----------	6.543	----------	3.222	----------	3.321
Total	6.829	6.666	3.264	3.182	3.565	3.484

[1] Includes one plant for one year with a production of 28,930,000 pounds. If excluded, total costs would have been 6.623 and excluding ingredients 3.260 cents.
[2] Includes one bakery over 43,248,775 pounds.

The single-plant companies are lower in total cost in 4 out of the eight comparable groups, but the advantage should here perhaps be given to the plants of the multiple-plant companies because of the inclusion of one plant for one year with a production slightly over the maximum for that group, as explained in the footnote to the table.

Excluding ingredient costs the single-plant companies show lower total costs in 6 out of the 8 groups or practically as favorable a showing as was made by the single plants on the arithmetic basis of grouping.

Exclusively wholesale comparisons.—The results by size groups after excluding all plants which are engaged in the house-to-house business are less favorable, on the whole, to the single-plant company groups than to those of the plants of multiple-plant companies.

In the arithmetic groups for exclusively wholesale plants the plants of multiple-plant companies are lower in total cost than those of the single-plant companies in 6 out of the 10 comparable size groups. In the six groups by steps of 5,000,000 pounds only two single-plant groups are below the groups of the multiple-plant companies.

TABLE 72.—*Comparative total costs including and excluding ingredients for exclusively wholesale plants of single and multiple plant companies by arithmetic size groupings, 1922–1925, combined*

[Cents per pound]

Production per plant per year in pounds	Total cost		Ingredients		Total cost, excluding ingredients	
	Single	Multiple	Single	Multiple	Single	Multiple
Under 2,500,000	7.136	7.648	3.378	3.195	3.758	4.453
2,500,000 to 5,000,000	6.814	7.076	3.284	3.214	3.530	3.862
5,000,000 to 7,500,000	6.980	6.898	3.340	3.180	3.640	3.718
7,500,000 to 10,000,000	7.177	6.863	3.303	3.143	3.874	3.720
Under 5,000,000	6.888	7.179	3.305	3.211	3.583	3.968
5,000,000 to 10,000,000	7.103	6.839	3.317	3.139	3.786	3.691
10,000,000 to 15,000,000	6.609	6.588	3.130	3.119	3.479	3.469
15,000,000 to 20,000,000	6.708	6.324	2.992	3.125	3.716	3.199
20,000,000 to 25,000,000	6.544	6.485	3.408	3.186	3.136	3.299
25,000,000 to 30,000,000	6.404	6.575	3.299	3.277	3.105	3.298
Total, up to 30,000,000	6.794	6.649	3.250	3.165	3.544	3.484
30,000,000 to 35,000,000		6.565		3.199		3.366
Over 35,000,000		7.005		3.334		3.671
Total	6.794	6.664	3.250	3.177	3.544	3.487

In total costs excluding ingredients, however, these results are reversed, 6 out of the 10 groups showing lower costs for the single-plant companies.

On the geometric basis the four smallest single-plant company groups and the four largest groups of plants of multiple-plant companies are lower in total costs than their respective multiple and single plant groups. Excluding the costs of the ingredients, however, costs are lower for the single-plant companies in 6 out of 8 comparable size groupings.

TABLE 73.—*Comparative total costs including and excluding ingredients for exclusively wholesale plants of single and multiple plant companies by geometric size groupings, 1922–1925, combined*

[Cents per pound]

Production per plant per year in pounds	Total cost		Ingredients		Total cost, excluding ingredients	
	Single	Multiple	Single	Multiple	Single	Multiple
Under 1,687,500	7.243	8.937	3.469	3.226	3.774	5.711
1,687,500 to 2,531,250	7.042	7.347	3.296	3.164	3.746	4.183
2,531,250 to 3,796,875	6.948	7.401	3.401	3.271	3.547	4.130
3,796,875 to 5,695,312	6.736	6.870	3.198	3.183	3.538	3.687
5,695,312 to 8,542,968	7.122	6.893	3.278	3.190	3.844	3.703
8,542,968 to 12,814,452	6.801	6.707	3.243	3.101	3.558	3.606
12,814,452 to 19,221,678	6.617	6.432	3.050	3.116	3.567	3.322
19,221,678 to 28,832,517	[1] 6.521	6.500	[1] 3.311	3.227	[1] 3.210	3.273
Total up to 28,832,517	6.794	6.653	3.250	3.166	3.544	3.487
28,832,517 to 43,248,775		6.744		3.249		3.495
Total, all plants	6.794	6.664	3.250	3.177	3.544	3.487

[1] Includes one plant for one year with a production of 28,930,000 pounds. If excluded total costs would have been 6.623 and excluding ingredients 3.260.

From these figures there is but little to indicate that the result of combining the plants of wholesale baking companies into a single organization is a lower cost per pound of bread production. While averages for all plants would indicate a slightly lower cost for the plants operated by multiple-plant companies, it appears that this result is due chiefly to the relatively large preponderance of the plants of the multiple-plant companies in certain of the larger and lower cost size groups. By size groups the single-plant companies are more often lower than the plants of the multiple-plant companies, and this preponderance is more marked where the ingredients are excluded than where they are included.

Plants of single and multiple-plant companies by years.—Some further study of the relative efficiencies of the plants of single and multiple plant companies as indicated by costs including and excluding ingredients was also made by comparing the two groups of exclusively wholesale plants by years. These figures are presented for each of the four years on both the geometric and arithmetic bases in Appendix Tables 16 and 17. The following text table presents the total costs, including and excluding the ingredients, for both groups of companies:

TABLE 74.—*Comparative total costs, including and excluding ingredients, for exclusively wholesale plants of single and multiple plant companies by years 1922–1925*

[Cents per pound]

	Total cost			
	Including ingredients		Excluding ingredients	
	Single	Multiple	Single	Multiple
1922 [1]	6.779	6.594	3.511	3.479
1923 [2]	6.594	6.654	3.458	3.560
1924 [2]	6.648	6.472	3.573	3.497
1925 [2]	7.237	6.840	3.661	3.409

[1] Plants up to 25,000,000 pounds. [2] Plants up to 30,000,000 pounds.

In 1922 there were no single plants above 25,000,000 pounds and in 1923, 1924, and 1925 none above 30,000,000 pounds. The comparisons, therefore, have been made on this basis.

It will be noted that in one of the four years (1923) the costs for the single-plant companies were lower than those of the multiple-plant companies.

From the examination of the comparative results by years it seems that the small single-plant groups up to between five and six million pounds are consistently lower than those of the multiple-plant company groups. Above 6,000,000 pounds the result is generally the opposite, though there is apparently less consistency in the lower costs of the multiple plants in the larger size groups than in the lower costs of the single-plant companies in the smaller size groups. This appears from Tables 18 and 19 in the Appendix.

Conclusions.—The results of these comparisons do not indicate that the plants operated by multiple-plant companies are on the whole able to produce and sell bread to the public materially cheaper than the plants of the single-plant companies. On the basis of the total costs irrespective of size, the plants of the multiple-plant companies show lower costs, but even here the single-plant companies were lower in one year out of the four. By size groups, consolidating the results for all years for each group, the single plants show about as many low-cost groups on the whole as do the multiple plants and a considerable proportion of them among the larger size groups. By years, however, the small single-plant companies are practically always lower in cost in the smaller groups whereas the larger multiple groups are usually, though somewhat less consistently, lower than the single plants. This latter situation, however, as stated, may be influenced by the few single plants in the larger size group comparisons, and the averages for all years combined may perhaps for this reason be somewhat more trustworthy than those for the individual years.

Section 11. Comparative costs and profits of wholesale, house-to-house, and chain-store bakers.

Size of the sample.—As has already been pointed out, the commission obtained financial results from three of the four principal types of commercial bakers, namely, wholesale, house to house, and chain store, it being impracticable to procure data from the small retail baker who sells over the counter. Because of the differences in the methods of marketing and in sales realizations, the costs and profits per pound for these three types of bakers are of general interest. Figures for such a comparison are available for the three years 1923 to 1925. For the wholesale baking plants, including those doing some house-to-house business, the quantity of bread involved is 6,649,000,000 pounds in round numbers for the three years combined. For wholesale baking plants, excluding all those doing any house-to-house business, the quantity is 5,488,000,000 pounds. The chain-store bakery production covered aggregated approximately 647,000,000 pounds and that of the house-to-house companies 147,000,000 pounds.

Comparative results per pound.—The comparative costs and profits of these three types of producers and distributors, including those wholesale plants doing a limited amount of house-to-house business, are as shown in the next table. It should be noted that there are slight differences between the figures shown in this table and those in the corresponding table presented in the preliminary report entitled, "Bakery combines and profits" (Table 13). This is because subsequent information showed that one plant included in the wholesale figures in the preliminary report was exclusively house to house. In this table, therefore, the wholesale and house-to-house figures have been adjusted by transferring the results of this plant from the wholesale to the house-to-house figures. This reduces the total number of wholesale plant years shown by the preliminary report from 708 to 705 and increases the number of house-to-house plant years from 23 to 26. The differences in the results, particularly in the case of the wholesale companies, are of no significance.

TABLE 75.—*Costs per pound of producing and selling bread for wholesale (excluding exclusively house-to-house plants) house-to-house and chain-store bakers, 1923–1925, combined*

[Cents per pound]

Item	Wholesale	House to house [1]	Chain stores
Flour cost	2.311	2.321	2.354
Other ingredients	.897	1.257	.872
Total ingredients	3.208	3.578	3.226
Manufacturing cost	1.704	2.211	1.168
Selling and delivery	[2] 1.606	[3] 2.624	[4] .595
General and administrative	.228	.262	
Total cost to doors	4.912	5.789	4.394
Total cost excluding ingredients	3.538	5.097	1.763
Total cost	6.746	8.675	4.989
Profit	.765	.258	[5] 1.041
Sales realization	[6] 7.511	[7] 8.933	[8] 6.030
Plant years [9]	705	26	53
Total pounds	6,649,000,857	147,479,540	646,964,800

[1] Includes one plant of a multiple-plant company for all three years, and in 1925 those of three companies acquired by the Continental Baking Corporation.
[2] Chiefly to retailer.
[3] To house of consumer.
[4] Delivery only to chain-store units.
[5] Profit before deducting general and administrative expense and expense of selling by the chain-store units.
[6] Generally delivered to retail store. An average retail margin obtained on about one-quarter of a million pounds of bread in 62 cities where the baking plants included in this study were located was 1.210 cents per pound of bread.
[7] Delivered to consumer at house.
[8] Sold over counter to consumer for cash.
[9] The plant years represented are not full years in all cases.

As has already been pointed out, there are among the wholesale companies several plants engaged to some extent in the house-to-house business. For this reason it appears desirable to compare with the house-to-house and chain-store bakers the results for the strictly wholesale business. Returns obtained by the commission on the marketing of bread showed the type of business done by over 300 commercial baking establishments whether strictly wholesale or house-to-house or wholesale and house-to-house combined. These reports were for about the middle of 1926. Baking companies and plants reporting costs and profits by schedule also furnished information of the same character in their reports. From these two sets of figures it is possible to ascertain the type of business done for practically all of the plants for which costs are available. Employing these data as a basis, wholesale plants reporting house-to-house business were eliminated from the tabulation and figures prepared for wholesale companies, excluding not only the plants engaged exclusively in house-to-house business but also those engaged partially therein.

Results per pound, exclusively wholesale, exclusively house-to-house, and chain-store bakers.—The following table presents for the three years 1923–1925 combined the comparative results for wholesale com-

panies including only their wholesale plants and excluding plants engaged in the house-to-house business either in whole or in part:

TABLE 76.—*Costs per pound of producing and selling bread for exclusively wholesale, house-to-house, and chain-store bakers, 1923–1925 combined*

[Cents per pound]

Item	Exclusively wholesale	House-to-house [1]	Chain store
Flour cost	2.290	2.321	2.354
Other ingredients	.914	1.257	.872
Total ingredients	3.204	3.578	3.226
Manufacturing cost	1.716	2.211	1.168
Selling and delivery	[2] 1.560	[3] 2.624	[4] .595
General and administrative	.235	.262	
Total cost to doors	4.920	5.789	4.394
Total cost excluding ingredients	3.511	5.097	1.763
Total cost	6.715	8.675	4.989
Profit	.711	.258	[5] 1.041
Sales realization	[6] 7.426	[7] 8.933	[8] 6.030
Plant years [9]	604	26	53
Total pounds	5,448,198,855	147,479,540	646,964,800

[1] Includes 1 plant of a multiple-plant company for all 3 years and in 1925 those of 3 companies acquired by the Continental Baking Corporation.
[2] To retailer.
[3] To house of consumer.
[4] Delivery only to chain-store units.
[5] Profits before deducting general and administrative expense and expense of selling by the chain-store units.
[6] Generally delivered to retail store. An average retail margin obtained on about one-quarter of a million pounds of bread in 62 cities where the baking plants included in this study were located was 1.210 cents per pound of bread.
[7] Delivered to consumer at house.
[8] Sold over counter to consumer for cash.
[9] The plant years represented are not full years in all cases.

On the whole there is comparatively little difference in the wholesale results per pound after taking out all wholesale plants engaged only partially in house-to-house business, the net difference being a reduction in total cost of only 0.031 of a cent per pound. (Table 75.) It will be observed, however, that selling and delivery fell off 0.046 of a cent while the sales realization declined nearly one-tenth of a cent (0.085 cent) per pound.

Sales realizations.—As appears from these tables, the sales realization per pound of bread in house-to-house selling is considerably greater than on wholesale business. In the last preceding table the difference amounts to over a cent and a half a pound over that of the wholesale companies. By removing those plants engaged to a degree in house-to-house business, therefore, the realization per pound of the wholesale companies is decreased appreciably. Not only was the average sales realization of the house-to-house baker more than 1½ cents above that of the wholesaler but it was practically 3 cents above that of the chain-store baker. The realizations of the house-to-house and chain-store baker are, of course, both based on prices paid by consumers but the former includes a delivery service to the house which is not included in the latter. The wholesale realization, on the other hand, is based on the price paid by the retail dealer on delivery to his establishment. It does not, therefore, include either the retailer's expense or profit on the resale of the bread to ultimate consumers.

In order to obtain an approximation of the consumers' cost of bread via the wholesale baker, it is necessary to add to the wholesale baker's sales realization the gross margin of the retail store on a pound of bread.

Dealer margins on more than one-quarter of a million pounds of bread were obtained in 62 cities and towns, where baking plants included in this study were located, during late 1924 and early 1925, either by field agents or by schedules, or by both methods. The reported margins weighted [9] by the number of pounds reported sold at each margin were combined for each city and weighted by the population according to the last census and again combined, giving a retail margin of 1.21 cents per pound.[10] Adding this margin to that of the wholesaler (7.426 cents) would give the following sales realization from consumers:

Wholesale system	8.636
House-to-house system	8.933
Chain-store bakery	6.030

These realizations in all cases represent consumers' prices. As already indicated in the table footnotes, however, the chain-store realization does not include delivery or credit. The house-to-house realization includes delivery to the house. A large part of this business, however, is on a limited-credit basis. Nearly 40 per cent of the house-to-house routes reported for were on a weekly settlement basis. (Table 29.) In addition driver extension of credit was reported on over 90 per cent of these routes reported for by the plants responding to this particular inquiry. (Table 31.)

The realization through the wholesale system represents the price paid by the consumer to retail stores buying from wholesale companies and thus includes an indefinite amount of credit and delivery extended to the consumer by the retail store. The retail margin of 1.210 which is added to the wholesale bakers' realization is a composite of the results for independent retailers and chain-store units. The latter it is safe to assume are on a cash-and-carry basis. In the nonchain establishments delivery service and credit were extended on perhaps 60 and 61 per cent of the sales, respectively.[11]

Summarizing, therefore, the realization from consumers through the wholesale system represents a price which includes credit and delivery to a large portion of the patrons buying bread from retail stores served by wholesale bakers; that through the house-to-house system a price which includes full delivery service to all houses and credit extension for a few days to a large though not definite proportion of its patrons in addition to limited credit extended by drivers in numerous instances (Tables 29 and 31); that through the chain store a price without credit or delivery service.

Ingredient costs.—Coming to the detailed items of cost it will be noted that the total ingredient costs of the chain-store bakers are slightly higher than those of the exclusively wholesale plants, while

[9] Each margin was multiplied by the number of pounds sold before averaging.
[10] The simple average for the same cities was 1.293 cents per pound. The weighted average for 148 cities was 1.279 cents. The lowest of these 3 figures is the one employed above.
[11] Operating Expenses in Retail Grocery Stores in 1924, Harvard Bureau of Business Research Bulletin No. 50, pp. 11, 34.

the house-to-house baker is more than 0.3 of a cent higher than either of them. As between the house-to-house baker and the other two types most of this difference is in the cost of other ingredients than flour. (Table 76.)

The probable explanation of these decidedly higher costs of the house-to-house baker in this item is the more varied product manufactured by them. The house-to-house business is said to call for a large proportion of fancy goods weekly, and even daily, and this applies largely to bread as well as to other bakery products. The house-to-house companies doubtless produce on the whole a much larger proportion of fancy breads, such as sweet rolls, coffee cake, nut and raisin bread, buns, etc., calling either for larger quantities of the other ingredients than do the straight breads or for additional and frequently expensive ingredients not employed in ordinary bread.

The flour costs of the exclusively wholesale baker are lower than those of the chain-store baker but their other ingredient expenses are higher. (Table 76.) It seems possible that, with the decline in home baking and household demand for flour, particularly in cities where chain stores operate, the buying power of this type of organization is relatively less for flour as compared with the wholesale baker than in the case of other ingredients such as salt, sugar, milk, and shortening, all of which commodities are bought and distributed in enormous quantities by chain-store companies.

Manufacturing cost.—Manufacturing costs of the chain-store bakeries are more than half a cent below those of the wholesale bakeries and over a full cent below those of the house-to-house establishments. Wholesale manufacturing costs in turn are nearly a half cent below those of the house-to-house distributors. Further analysis indicates some of the reasons for the difference in manufacturing expense as between these types of establishments.

TABLE 77.—*Comparative manufacturing costs of wholesale, house-to-house, and chain-store baking plants, in cents per pound, 1923–1925 combined*

Item	Wholesale [1]	House to house	Chain store
Labor cost	0.786	0.769	0.564
Wrapping expense	.234	.333	[2]
Other manufacturing expense, excluding wrapping	.662	1.109	[2]
Other manufacturing expense, including wrapping	.896	1.442	.604
Total manufacturing	1.682	2.211	1.168
Plant years 1923–1925	538	26	53
Wrapping expense 1924–25	.235	.327	.192
Plant years 1924–25	349	21	27

[1] Exclusively wholesale and combination wholesale and house to house.
[2] Not available except for two years, 1924 and 1925.
[3] Not shown and not available, except for 1924 and 1925.

For the wholesale group the plants employed for the study include all those for which this detail was available irrespective of whether engaged in wholesale exclusively or wholesale and house to house combined. As shown by Table 58, there was very little difference in the total manufacturing expense between exclusively wholesale and combination wholesale and house-to-house plants. The detail of manufacturing expense, however, was available for a much smaller

number of exclusively wholesale plants and for a much less production than was total manufacturing expense. To have eliminated the combination wholesale and house-to-house plants would still further have reduced the size of the sample which was regarded as undesirable.

House-to-house labor costs are somewhat below those of the wholesale companies, but are still more than two-tenths of a cent a pound above those of the chain store companies. Other manufacturing expense, including wrapping, however, is over half a cent a pound above that of the wholesaler and over four-fifths of a cent above that of the chain-store group. The house-to-house bakers are practically a tenth of a cent higher than the wholesalers in wrapping expense and the chain stores are even lower than the wholesalers.

The reasons for these differences in producing costs can not be stated with accuracy, but various factors may be suggested in partial explanation of some of them. For example, it is possible that the proportion of wrapped bread sold by the chain-store bakeries is considerably less than that sold by the wholesalers. The chain store lays emphasis on price in the selling of bread. It costs an appreciable amount to wrap and when the law does not require it the chain-store bakery would tend perhaps to produce proportionally a larger volume of unwrapped bread than would the average wholesaler. House-to-house bread is probably more generally wrapped than is either wholesale or chain-store bread. Much of the rye, Vienna, and French bread is not wrapped by the wholesaler or chain-store bakeries. Because of the method of sale, however, it is necessary for the house-to-house baker to wrap each customer's order, and if the bread is not of the type inclosed in the customary waxed paper it is placed in brown paper bags or similar wrappers. It is possible, if not probable, that the cost of these latter wrappers is included in wrapping expense by the house-to-house companies.

The low labor costs of the chain-store baker can doubtless be explained on substantially the same grounds as the lower labor costs per pound shown by wholesale bakers in certain cities of the United States. (Sec. 13.) In that discussion it is shown that one of the most important factors in low labor cost per pound of bread is the production per man per hour. High production and, consequently, low labor costs per pound in turn are largely a matter of the character of the plant equipment and products. The more automatic the plant and the lower the proportion of hand or bench made bread produced, the lower the labor cost per pound, other things being equal.[12]

The chain-store bakery is a comparatively recent development and the plants are therefore of recent design and construction. The wholesale group of plants, on the other hand, includes many very old and poorly equipped establishments. It is reasonable to suppose, therefore, that chain-store plants average a considerably higher proportion of automatic machinery than the wholesale plants. The chain-store bakeries may also be assumed to be producing a relatively low proportion of the bread specialities requiring bench labor, such as rolls, Vienna, French and rye bread, large quantities of which are pro-

[12] It has been stated by the president of one of the largest baking companies that in his opinion bench-made bread should carry a sufficient price differential to take account of its higher cost of production as compared with machine bread.

duced by many wholesale bakers, particularly, perhaps, those with a large restaurant and hotel trade. The chain store in general emphasizes price, and it is, therefore, to be anticipated that their activities would be largely concentrated on the more standardized machine-made bread.

As perhaps supporting this view it may be noted that in 1925 there were only seven plants in the exclusively wholesale or combined wholesale and house-to-house group which showed a manufacturing expense as low as the chain store average for that year.

Selling and delivery.—The greatest advantage in cost of the chain-store baker as compared with the wholesaler and of the latter as compared with the house-to-house baker lies in the item of selling and delivery. Since chain-store bakery bread is handled only through its own stores this type of bakery charges no selling expense to the bread but only the cost of delivery to these stores.[13] The cost of this service (0.595 cent) is practically a cent lower than the selling and delivery expense of the wholesaler (1.560 cents). The latter in turn is over a cent below the house-to-house establishment in this item. A somewhat more detailed analysis of this selling and delivery expense is shown in the accompanying table.

TABLE 78.—*Comparative selling and delivery expense per pound of bread for exclusively wholesale, house-to-house, and chain-store bakers, 1923–1925, combined*

[Cents per pound]

Item	Exclusively wholesale	House-to-house	Chain store
Salaries and commissions	0.687	1.654	
Advertising	.202	.128	
Shipping and agency expense	.134		
Delivery expense	.539	.836	0.595
Other selling		.006	
Total selling and delivery	1.562	2.624	.595
Plant years	447	26	53

From this table it appears that the higher selling and delivery expenses of the house-to-house baker as compared with the wholesaler are due chiefly to the payment of salaries and commissions by the former, which are nearly a cent a pound (0.967 cent) higher than those of the latter. The house-to-house bakers studied have no agency or shipping expense and their expense per pound for advertising is less than that of the wholesaler.

The explanation of the much higher salaries and commissions paid per pound in the house-to-house business is no doubt a question largely of the volume of business per route. On house-to-house and wholesale routes in the same locality drivers' salaries and commissions may be expected to average about the same weekly. Since practically every locality that supports a house-to-house plant or route also supports one or more wholesale bakers, it seems not too much to assume that the foregoing statement also holds for wholesale and house-to-house routes as a whole. Assuming that the weekly salaries and commissions of the wholesale and house-to-house drivers are

[13] This does not mean that there is no selling expense attached to the bread because it costs each chain unit something to sell. As far as the bakery is concerned however, there is no selling expense though there is such an expense for the chain-store system.

about the same, the expense per pound for the house-to-house route becomes much greater because of its smaller volume of business. From returns obtained to the marketing schedule it appears that the weekly volume of bread sales per route for the wholesale routes ($421) is about 125 per cent greater than the volume on the house-to-house route ($188). (Table 24.) Assuming that the salary and commission of the salesman averaged $40 per week on both types of routes it would cost about 9.5 cents to develop a dollar of bread business on the wholesale route as compared with 21.3 cents on the house-to-house route. In other words, it takes, perhaps, more than two and two-tenths times as much in salaries and commissions to produce a dollar's worth of business on the house-to-house routes as on the wholesale. An examination of the preceding table shows that the salaries and commissions on house-to-house routes, 1.654 cents per pound, averaged practically two and one-half times the salaries and commissions on the wholesale routes. This lower volume of business per route also accounts for the higher delivery expense of this type of distribution per pound of bread as compared with the wholesaler.

General and administrative expense.—Aside from manufacturing and selling and delivery it is possible that the chain store has some advantages in general and administrative expense. While no figures are shown for this item in the case of the chain stores, it is, of course, obvious that this type of baker does have this item of expense as well as the wholesale and house-to-house baker. In none of the chain stores from which the bakery results were obtained, however, was any separation of the general and administrative expenses made, all of these costs going into the general overhead of the organization.

Profit.—It is obvious that the chain-store bakery cost figures do not include any expense for the distribution of the bread by the retail stores of the chain, although the sales realization represents the price at which the bread is purchased by the consumer from such stores. Hence the profit figure shown for the chain store (1.041 cents) is not comparable with the profits shown by the wholesale and house-to-house baker, not only because of the absence of any allocation of general and administrative expense, but also because the cost of selling and the loss on stales if any through the retail stores is not included.

Chain store and lowest cost wholesale bakeries.—While the costs of the various wholesale bakeries, taken as a group, are very much above those of the chain stores, there are numerous wholesale plants with appreciably lower costs than the average wholesale establishment both in producing and selling.

As has already been pointed out in the discussion of manufacturing expense, the wholesale figures employed represent averages for a large number of plants, including many which are old and poorly equipped from the standpoint of automatic machinery. They also include many plants with a relatively high proportion of bench-made bread. Moreover, as pointed out above, the figures for all wholesale companies combined include the results for certain plants operating some house-to-house routes. Since the selling and delivery expense in house-to-house business is considerably greater than on wholesale routes (Table 75), this tends to increase to some extent the costs for all wholesale companies combined.

For these reasons a comparison was made for 1925 of the sales realization and detailed costs of the 20 lowest cost exclusively wholesale plants of sizes corresponding with those of the 20 chain store bakery plants. For this purpose the 20 chain store plants were arranged in five size groups and compared with the same number of the lowest cost wholesale plants falling in the same size groups. The results are shown in detail in Appendix Table 20.

The following table shows the comparative unit figures for the 20 low-cost exclusively wholesale plants, the 20 chain store plants, and all exclusively wholesale plants for the same year (1925). None of the wholesale plants in question did any house-to-house business.

TABLE 79.—*Comparative costs and profits per pound of bread for 20 low cost wholesale, 20 chain store and all exclusively wholesale bakers in 1925*

[Cents per pound]

Item	All exclusively wholesale bakers	20 low cost exclusively wholesale bakers	20 chain stores
Flour cost	2.630	2.612	2.762
Other ingredient cost	.825	.796	.965
Total ingredient cost	3.455	3.408	3.727
Manufacturing expense	1.636	1.320	1.231
Total cost to doors	5.091	4.728	4.958
Selling and delivery	1.619	1.197	.620
General and administrative	.190	.156	----------
Total cost	6.900	6.081	5.578
Profit	.757	1.163	1.137
Sales realization	7.657	7.244	6.715
Number of plants	166	20	20
Average production per plant in pounds	10,243,316	12,470,361	12,727,812

The 20 low-cost wholesalers, it will be observed, averaged between eight and nine-tenths of a cent a pound lower total costs than all wholesalers. As their sales realization was between four and five tenths of a cent lower, however, their net profit per pound was about four-tenths of a cent greater. In every item of cost the 20 wholesalers averaged appreciably below all wholesalers combined. In ingredient costs the low-cost wholesalers possess an advantage of more than three-tenths of cent a pound under the 20 chain stores plants and this is characteristic of the size groupings shown in Appendix Table 20 as well, five out of the six low-cost wholesale groups showing a smaller ingredient expense than the chain stores. While a good part of this advantage is lost to the wholesalers in a higher manufacturing expense per pound, this advantage in ingredients is still sufficient to give the low-cost wholesalers a cost to the doors of the plant of 4.728 cents as against 4.958 cents for the chain stores. Reference to Appendix Table 20 also shows that the wholesale cost to doors is less for the 20 wholesalers in every size group except the largest.

From this it appears that the cost of production of the lowest cost wholesalers of comparable size is less than that of the chain stores. The absence of any selling expense in the case of the chain-store bakery, however, coupled with the inclusion of all general and administrative expense in the general overhead of the stores gives

the chain-store bakery an advantage of over seven-tenths of a cent a pound in those two items as compared with lowest cost wholesalers. Despite the wholesaler's advantage of two-tenths of a cent per pound to the doors of the plant, therefore, the chain stores' total cost per pound (5.578 cents) is approximately five-tenths of a cent a pound lower than that of the 20 lowest cost wholesalers (6.081 cents).

Section 12. General observations on the three systems of selling bread.

There are differing views in the baking industry as to ultimate results of the competition between the three systems of bread distribution which have been compared. Despite the low costs of the chain-store bakeries and the low prices at which their bread is sold, few of the larger bakeries believe that this development will seriously interfere with the expansion and development of the wholesale and house-to-house systems. It is pointed out by an officer of one large company that the greatest competitor of the commerical baker is still the housewife and that such housewives constitute an enormous potential demand. When a chain-store bakery begins operations in a particular locality its low-priced bread frequently affects unfavorably for a time the sales of the wholesaler. However, the low chain-store prices tend to make the housewife a bread buyer instead of a bread baker. Once she becomes a buyer, this wholesale baker believes that he can get his share of the business. This view is no doubt partly based upon the belief of most of the commercial bakers that their particular bread is better than the chain-store bread. This does not mean that they regard the latter type of bread as poor bread; on the contrary, the reverse opinion is frequently expressed. At the same time it is alleged that this bread is usually subject to considerable variations in quality. Some of it is alleged to be excellent, some poor. It is stated that the production of bread is frequently "rushed" in the chain-store plant and not as much care is given to its production as in the ordinary commercial plant. One baker, relating his experience on visiting a large chain-store plant, said that he saw the materials going into the bread; that all were of excellent quality, but that the resulting product was about as poor a loaf as he had ever tasted. It is pointed out that the bread produced by the wholesaler is open to the criticism not only of the supervisors and salesmen, but also of the grocer before it reaches the consumer, but that this is not the case with the chain-store bread. The criticism of the supervisors, salesmen, and grocers stands between the producer and the ultimate purchaser and all this is alleged to be helpful in preserving the quality of the bread.

There is some trade opinion that the house-to-house system of selling is the coming method of distribution. If so, this is important from an economic standpoint on account of the costs which are involved. It has already been shown that the cost of house-to-house distribution is high, but it must be remembered that these figures by no means represent the probable cost that would be involved if all commercial baking companies were to engage in the house-to-house business. This would presumably involve the duplication of bread routes up and down the same streets, would probably either increase the length of the routes or reduce the number of patrons per route, and would result in appreciably higher costs of distribution than are involved in the house-to-house business at the present time. Most

bakers, however, do not appear to regard the house-to-house business as an inevitable future development. This type of business has been characterized as a difficult one. It requires first of all variety of product. There must be specials in bread and cake weekly, and even daily. This does not make for low cost of production. On the contrary, there are indications that the lowest costs are obtained by specialization on a single standardized bread produced solely by automatic machinery.

While the house-to-house business is on the increase, there will apparently always be plenty of room for the wholesaler also. Moreover, it is stated by an official of one of the large multiple plant companies that the development of the house-to-house business is dependent largely upon the physical makeup of the community. This type of business can be expected to do well only where the community is one of individual dwellings and the houses close together. Apartments are not favorable to the development of the house-to-house business. There is too much stair climbing and too much lost time altogether.

Most bakers do not consider that the chain store has been appreciably responsible for the development of the house-to-house business by the wholesale companies despite the situation in Philadelphia. This city is at one and the same time the most important chain-store market and the most important house-to-house market in the United States.

Section 13. Costs of producing and selling bread by cities.

As between important cities in the United States there are wide variations not only in the total costs of producing and selling bread but also in the various items composing those total costs. This is shown by Table 80, which presents the costs and profits for bakeries located in several important cities in the United States for the years 1923 to 1925 combined.

TABLE 80.—*Sales realization, costs, and profits per pound of bread produced in 16 specified cities, years 1923–1925*

[Cents per pound]

Cities	Plant years	Average bread production per plant per year in pounds	Net sales	Flour	Other ingredients	Total ingredients
Des Moines	9	6,329,000	7.308	2.032	0.977	3.009
Toledo	11	7,402,000	6.674	2.192	.846	3.038
Omaha	9	7,776,000	7.674	2.190	.937	3.127
St. Louis	20	9,340,000	7.336	2.110	.850	2.960
Rochester (N. Y.)	9	9,989,000	7.158	2.314	.905	3.219
Los Angeles	15	10,001,000	7.910	2.247	.951	3.198
St. Paul-Minneapolis	18	10,420,000	7.717	2.152	.939	3.091
Washington, D. C	12	11,662,000	8.126	2.319	1.164	3.483
Chicago	33	13,490,000	7.969	2.146	.969	3.115
New York	65	14,183,000	7.446	2.393	.786	3.179
Baltimore	12	16,192,000	7.279	2.451	.877	3.328
Pittsburgh	14	16,300,000	7.329	2.263	.877	3.140
Detroit	15	17,693,000	7.417	2.122	1.295	3.417
Newark-Jersey City	17	18,808,000	7.378	2.369	.831	3.200
Philadelphia	28	20,655,000	8.189	2.504	.782	3.286
Boston	11	22,257,000	7.513	2.421	.875	3.296
Average	18.6	13,939,000	7.616	2.315	.893	3.208

TABLE 80.—*Sales realization, costs, and profits per pound for bread produced in 16 specified cities, years 1923–1925*—Continued

[Cents per pound]

Cities	Manufacturing expense	Cost to doors	Selling and delivery expense	General and administrative expense	Total cost	Margin of profit
Des Moines	1.774	4.783	1.464	0.281	6.528	0.780
Toledo	1.679	4.717	1.339	.170	6.226	.448
Omaha	1.843	4.970	1.692	.428	7.060	.614
St. Louis	1.777	4.737	1.593	.251	6.581	.755
Rochester (N. Y.)	1.522	4.741	1.355	.145	6.241	.917
Los Angeles	1.655	4.853	1.935	.430	7.218	.692
St. Paul-Minneapolis	1.448	4.539	1.891	.490	6.920	.797
Washington, D. C	1.958	5.441	1.677	.336	7.454	.672
Chicago	2.009	5.124	2.075	.206	7.405	.564
New York	1.720	4.899	1.584	.166	6.649	.797
Baltimore	1.571	4.899	1.594	.203	6.696	.583
Pittsburgh	1.487	4.627	1.700	.184	6.511	.818
Detroit	1.899	5.316	1.310	.193	6.819	.598
Newark-Jersey City	1.735	4.935	1.499	.151	6.585	.793
Philadelphia	1.506	4.792	1.699	.167	6.658	1.531
Boston	1.542	4.838	1.428	.152	6.418	1.095
Average	1.698	4.906	1.646	.211	6.763	.853

Sales realization.—The average sales realization per pound in these 16 cities ranged from 6.674 cents in Toledo to 8.189 cents in Philadelphia. Outside the latter city the largest realization was shown by Washington (8.126 cents). Several of the Philadelphia plants are engaged extensively in house-to-house distribution. On this business sales realization is commonly much higher than on straight wholesale business. (Table 75.) It is probable, therefore, that Washington had the highest average realization on straight wholesale business during the years in question, practically no house-to-house business being covered by Washington figures.

In Los Angeles, Chicago, Detroit, and Boston certain plants were also engaged in the house-to-house business, as well as in Philadelphia. In the three last-named cities the volume was too small (less than 5 per cent) to have any appreciable effect upon the figures. The high realization in Los Angeles, however, may possibly be attributable to this type of business, a view to some extent supported by the high selling and delivery expense in this city which is referred to below.

Ingredients.—In general the ingredient costs in the various cities are dominated by flour costs. The differences in these latter costs in turn are apparently determined largely by the location of the city and hence the freight rates. All the eight cities west of Pittsburgh, without exception, show a lower than average cost for flour per pound of bread. All seven cities east of Pittsburgh, excepting Rochester, which is practically average, show a higher than average cost. Pittsburgh itself is below average. In the case of other ingredients than flour, the tendency is rather the reverse of the foregoing. But none the less with one exception (Detroit) the western cities are all below average in total ingredient costs per pound of bread. Only three out of eight eastern cities, including Pittsburgh, are below the average, the other two besides Pittsburgh being Newark-Jersey City and New York.

TABLE 81.—*Ingredient costs per pound of bread for 16 specified cities, years 1923–1925 combined*

[Cents per pound]

Cities	Flour cost per pound of bread	Other ingredient cost	Total ingredient cost	Cities	Flour cost per pound of bread	Other ingredient cost	Total ingredient cost
Philadelphia	2.504	0.782	3.286	Toledo	2.192	.846	3.038
Baltimore	2.451	.877	3.328	Omaha	2.190	.937	3.127
Boston	2.421	.875	3.296	St. Paul-Minneapolis	2.152	.939	3.091
New York	2.393	.786	3.179	Chicago	2.146	.969	3.115
Newark-Jersey City	2.369	.831	3.200	Detroit	2.122	1.295	3.417
Washington	2.319	1.164	3.483	St. Louis	2.110	.850	2.960
Rochester	2.314	.905	3.219	Des Moines	2.032	.977	3.009
Pittsburgh	2.263	.877	3.140				
Los Angeles	2.247	.951	3.198	Average	2.315	.893	3.208

Manufacturing cost.—The range of average manufacturing expense between different cities amounted to over a half a cent a pound or between a quarter and a third of the entire manufacturing expense. The highest manufacturing cost was reported at Chicago, where this item was in excess of 2 cents a pound (2.009). The lowest cost was reported by St. Paul-Minneapolis (1.448).

TABLE 82.—*Analysis of manufacturing cost per pound of bread produced in 16 specified cities in years 1923–1925 combined*

[Cents per pound]

Cities	Plant years	Average bread production per plant per year in pounds	Total labor	Wrapping expense	Other manufacturing expense	Total manufacturing expense
Chicago	33	13,490,000	1.088	0.226	0.695	2.009
Washington	12	11,662,000	1.111	.206	.641	1.958
Detroit	15	17,693,000	.956	.231	.712	1.899
Omaha	9	7,776,000	.832	.302	.708	1.842
St. Louis	20	9,340,000	.930	.180	.667	1.777
Des Moines	9	6,329,000	.731	.386	.657	1.774
Newark-Jersey City	17	18,808,000	.826	.179	.730	1.735
New York	65	14,183,000	.814	.182	.724	1.720
Toledo	11	7,402,000	.653	.263	.763	1.679
Los Angeles	15	10,001,000	.832	.309	.514	1.655
Baltimore	12	16,192,000	.618	.215	.738	1.571
Boston	11	22,257,000	.740	.214	.588	1.542
Rochester	9	9,989,000	.627	.226	.669	1.522
Philadelphia	28	20,655,000	.772	.171	.563	1.506
Pittsburgh	14	16,300,000	.782	.180	.525	1.487
St. Paul-Minneapolis	18	10,420,000	.664	.157	.627	1.448
Average	18.6	13,939,000	.834	.203	.661	1.698

On the whole the figures of total manufacturing cost appear to be largely affected by the labor cost. Of the eight cities showing a total manufacturing cost which is less than average all are also below average in labor cost. Of the eight with a total manufacturing cost above average, four are above average also in labor expense.

These differences in labor cost per pound of bread are the result of a variety of factors among which are the wages paid, the number of hours worked, the production per hour, and the character of the production and equipment of the plant. This situation is well indicated by an analysis of labor costs in 21 bakeries in Washington,

Baltimore, New York, and Philadelphia made by the Bureau of Labor Statistics in 1923. The results of this study are presented in the following table, which also shows the labor costs per pound for bakeries reporting to the commission for the years 1923–1925 combined.

These cities are particularly well chosen from the stand point of explaining the differences in labor costs per pound in different cities. As shown by the preceding table Washington had for the years 1923–1925 the highest labor cost per pound, and Baltimore the lowest, while Philadelphia and New York occupied an intermediate position.

TABLE 83.—*Labor cost statistics for four specified cities for 1923 and average labor costs per pound for 1923 and 1923–1925* [1]

Cities	Customary full-time hours weekly, 1923	Average production per man-hour in pounds, 1923	Average weekly production per man-hour in pounds, 1923	Average earnings per hour in 1923	Average weekly earnings in 1923	Average labor cost in cities per pound		
						1923	1923–1925 [2]	
							Plant years	Cost
				Cents		Cents		
Washington	48	63	3024	74.1	$35.56	1.170	12	1.111
New York	48	73	3504	63.6	30.53	.870	65	.814
Philadelphia	51.1	62	3162	56.4	28.82	.910	28	.772
Baltimore	54	92	4968	50.9	27.49	.550	12	.618

[1] From Monthly Labor Review, December, 1923, Vol. XVII, p. 3, except figures for 1923–1925.
[2] See Table 82.

From this table it appears that the labor cost per pound is not determined solely either by the number of hours worked, the average wages paid, nor the volume of production per man per hour. Instead, the cost per pound is rather the product of all three of these factors. For example, Philadelphia's average production per man per hour in 1923 was less than that of Washington, but the former showed a lower cost. New York and Washington bakers worked the same number of hours per week, but New York costs were considerably lower. Average earnings per hour were higher in New York than in Philadelphia but the former had the lower labor costs per pound.

It will be noted, however, that employees of the Baltimore bakeries, which showed the lowest cost per pound, worked the longest hours per week for the lowest wages per hour and showed the highest production both weekly and per man per hour. Employees of the Washington bakeries which showed the highest costs per pound worked the minimum number of hours for the highest wages both weekly and per hour.

The large importance that is played by volume of production per man hour may be gathered from a comparison of Washington and Baltimore. The former city has average earnings per hour that are approximately 46 per cent higher than those in the latter. Baltimore, on the other hand, has a production per man-hour which is approximately 45 per cent above that of Washington. Had the Washington scale of wages been applicable to Baltimore City in 1923 the latter's labor cost of production per pound would have been 0.803 cent, or below that not only of Washington but of New York and Philadelphia as well.

Volume of production per man-hour, however, is largely dependent upon the equipment of the plant and the character of the bread produced. In its 1923 report the Bureau of Labor Statistics stated:

> The highest production per man per hour was made in a bakery in which there were very few bench hands, no machine hands except at the divider and one at the molder, and no oven men. This bakery if fully equipped with the best machinery, including traveling ovens and is modern in every way. Here 90 per cent or more of the dough is carried directly by machinery operated by electrical power, from the fermenting room to and through the divider, rounder, first and preliminary automatic proofer, molder, final automatic steam proofer, and traveling oven.
>
> The lowest production per man per hour was made in a bakery in which there are machine hands at the divider, rounder, revolving proofing cabinet, and molder; in which helpers shove racks loaded with pans of molded dough into the steam proofer and from the proofer to the ovens; and in which there are also bench hands and oven men. In this particular bakery the employees in these occupations form a larger per cent of the total employees than in any other bakery for which averages are presented. It is, therefore, manifest that very large production per man-hour can be obtained only by a bakery having efficient machinery and efficient organization.[14]

All the bakeries in Baltimore included in the study of the Bureau of Labor Statistics "are well equipped with modern automatic machinery from the dividing or scaling machine to the traveling ovens, while some of the bakeries covered in other cities were not so well equipped."[15]

The differences between cities with reference to wrapping expense are probably to be explained chiefly by variations in the proportions of bread wrapped though there are no doubt some variations also in the unit prices paid for such wrappers.

Selling and delivery expense.—In five cities shown in Table 80, i. e., Philadelphia, Los Angeles, Chicago, Detroit, and Boston, certain plants have some house-to-house business. As before stated, in the three last named cities the amount as compared to the wholesale business is negligible. Los Angeles shows the highest selling and delivery costs and Philadelphia is fifth from the highest.

General and administrative expense.—The general and administrative expense as between cities appears to show some relationship to the average size of the plants studied. In the eight cities where the average size of the plants from which costs were obtained was between thirteen and twenty-three million pounds, the general and administrative expense was below the average in each case. (Table 80.)

For the eight cities with an average production per plant ranging between six and twelve million this expense was above the average, except in Rochester and Toledo. On analysis, however, it appears that these differences are due chiefly to the fact that the general and administrative expense in cities which are below average was dominated by the plants of the very large baking companies which prorate this expense on the basis of sales over the production of a large number of plants in various cities.

[14] R. S. Billups, Bread Making in the Modern Bakery, Quarterly Labor Review, December, 1923, Vol. XVII, No. 6, pp. 1226–1228.
[15] Ibid.

Section 14. Comparative results for 1925 of businesses proposed to be included in the Ward Food Products Co.

Because of the formation of the great holding company known as the Continental Baking Corporation late in 1924, and the proposal to merge this company with the Ward and General organizations in a still larger consolidation—the Ward Food Products Co.—early in 1926, the comparative financial results of the three companies, which were alleged to form merely the backbone of this larger consolidation, are of general public interest. As related in Chapter VII, the Department of Justice intervened to prevent this from being done, and the court decree in this case provided certain special restrictions with respect to each of these companies in order to prevent any combination among them.

The following table presents the investment, profit, and rate of return in 1925 for 102 plants operated by Continental, 33 operated by General, and 16 by Ward, covering a production of approximately one and one-half billion pounds of bread. As the Continental was not formed until the latter part of 1924 and acquired several companies during 1925 it is not possible to present the comparative results for these three companies for more than one year.

TABLE 84.—*Company and baking investment, profits, and rate of return—Continental, General, and Ward—in 1925*

	Company investment			Baking investment				
	Amount	Profit	Rate of return	Unrevised	Revised	Profit	Unrevised rate of return	Revised rate of return
Continental	$53,771,665	$8,018,762	14.91	$60,929,638	$43,397,142	$8,609,568	14.13	19.84
General	27,782,617	6,790,965	24.44	24,846,985	13,943,407	6,672,664	26.86	47.86
Ward	32,710,502	4,808,603	14.70	35,680,910	22,407,721	5,071,455	14.21	22.63
Total	114,264,784	19,618,330	17.17	121,457,533	79,748,270	20,353,687	16.76	25.52

The foregoing table presents the investment employed upon three different bases, i. e., (1) company investment, (2) unrevised baking investment, and (3) revised baking investment, and rates of return are similarly shown upon each of these bases. The significance of these three methods and the manner of computing them are detailed in section 3 of this chapter and will not, therefore, be repeated here. The rates of return on the company investment show comparatively little difference from those on unrevised baking investment. This is true not only of the investments of the three companies combined but also of their individual results. There was a relatively slight difference between the rate of return of the Continental and Ward companies as compared with the difference between the rate of return of each of these two and the General. Irrespective of what investment basis is employed the rates of return of the latter company were far in excess of those of either of the others. On the revised investment the General plants included in this study earned close to 50 per cent, which was more than double the rate earned by either of the other two companies.

Owing to the large volume of sales of other bakery products than bread by Continental and Ward, as compared with General on either an absolute or relative basis, the variations in return on baking investment shown above can scarcely be explained on the basis of costs of bread alone. On the other hand, bread constituted considerably over 50 per cent of the total sales of both Continental and Ward in 1925, and, in consequence, the bread business exercised a very substantial influence on the baking profits. Considering bread alone the General Baking Company showed substantially lower costs and higher profits per pound of bread than either Ward or Continental.

The average sales realization for all three companies was substantially the same, the maximum variation between the highest and lowest being only 0.028 of a cent per pound. On the other hand, General, in 1925, earned over 0.6 of a cent a pound more profit than one of the other two companies and nearly 0.6 of a cent more than the other. When it is considered that the average profit of wholesale baking companies in this year was around 0.8 of a cent per pound the significance of this high profit per pound of bread on the total profits of the General is more readily appreciated.

This higher profit margin per pound was the result primarily of the lower production costs of the General. As already stated, the sales realization of all three companies is very much the same, and while there are some differences in ingredient costs per pound, the chief differences in per pound results are found in the great variations in manufacturing and selling and delivery expenses. In manufacturing expense alone the General was nearly 0.3 cent below one of these two companies and nearly 0.4 cent below the other. More detailed analysis of these manufacturing expense figures shows that these variations were chiefly due to differences in wages paid to bakeshop and general labor, the General showing lower costs than either of the other two companies. These more detailed costs show General lowest in all the chief items of manufacturing expense except wrapping.

A more or less similar situation is found with reference to selling and delivery. General was considerably lower than either Ward or Continental. Detailed analysis shows that the differences here are attributable chiefly to advertising and to shipping and agency expenses. The chief item for all three companies under the category of selling and delivery is the cost of operating the various wholesale and retail routes of these companies. This item is included in selling and delivery expense and it ran about 1¼ cents per pound for all three companies. Shipping and agency expense refers to costs incurred in operating out-of-town agencies and in the shipment of bread by rail and express to retail and other dealers. The Ward company had a comparatively heavy advertising expense per pound, amounting to nearly three times the advertising expense of General and appreciably above that of Continental. This high advertising expense of the Ward company may have been affected considerably by the company's free bread campaigns which have in some cases been charged to advertising and selling expense.

TABLE 85.—*Sales realization and specified costs and profits for Continental, General, and Ward Baking companies combined, in 1925*

	Total, 3 companies	
	Amount	Per pound
		Cents
Sales	$119,691,753	7.777
Flour	40,955,622	2.661
Other ingredients	12,641,571	.821
Total ingredients	53,597,193	3.482
Manufacturing	24,325,670	1.581
Cost to doors	77,922,863	5.063
Selling and delivery	25,089,941	1.630
General and administrative	2,155,004	.140
Total cost	105,167,808	6.833
Profit	14,523,945	.944

Number of plants, 141.
Average production per plant, 10,914,849 pounds.
Total production, 1,538,993,658 pounds.

Comparing the financial results of the Ward, General, and Continental companies combined with those of other multiple and single plant companies in 1925, it appears that the first mentioned group of these companies showed a lower sales realization, a lower cost and higher profit per pound of bread and larger rate of return on the baking investment as revised by the commission than either the remaining multiple plant companies or the single plant companies.

TABLE 86.—*Rates of return on investment and realizations and costs and profits per pound of bread for specified groups of baking companies, 1925*

	Number of companies	Number of plants	Revised baking investment	Baking profit
Continental, General, and Ward companies combined	3	153	$79,748,270	$20,353,687
Total other multiple plant companies	10	69	25,946,298	5,171,114
Total all multiple plant companies	13	222	105,694,568	25,524,801
Total single plant companies	38	38	8,403,089	1,344,912
Total all companies	51	260	114,097,657	26,869,713

	Rate of return on revised baking investment	Number of bread plants	Realization from bread per pound	Cost of bread per pound	Bread profit per pound	Percentage of sales of other products to total sales
	Per cent		*Cents*	*Cents*	*Cents*	
Continental, General, and Ward companies combined	25.52	141	7.777	6.833	.944	23.65
Total other multiple plant companies	19.93	69	8.032	7.433	.599	18.48
Total all multiple plant companies	24.15	210	7.844	6.990	.854	22.33
Total single plant companies	16.00	38	7.840	7.395	.445	9.97
Total all companies	23.55	248	7.843	7.036	.807	21.09

From what has already been stated with reference to the comparative results of Ward, General, and Continental, however, it is apparent that the more favorable showing for this group in comparison with the other two groups is primarily the result of the favorable show-

ing made by the General Baking Company which as already pointed out showed not far from double the rate of return on the investment of either Ward or Continental and substantially lower costs than either.

Excluding these three companies the remaining multiple plant companies showed a somewhat higher rate of return on the investment than the single plant companies. This is partly the result of a higher sales realization and profit per pound of bread, the costs of the single plant companies being slightly lower than those of the multiple plant companies. It will be noted that both the multiple plant company groups show a relatively higher percentage of cake sales as compared with the single plant companies. This may disturb the comparative results of the multiple and single plant groups because both the selling and delivery and general and administrative expenses have been split between bread and cake on a sales basis, no separation of this kind being shown by the books of the companies.

Section 15. Losses on stale bread.

It is customary in most localities for bread manufacturers to take back from the retail grocer bread that has not been sold by him on the previous day, and in some cities where there is more than one delivery, that left unsold from the previous delivery. This bread, seldom more than a day old, is regarded and referred to as stale bread. In some cases the grocer permits the drivers from several bakeries to fill his show cases with any number of loaves, knowing that he can return to the manufacturer all the bread he does not succeed in selling. The grocer may be inclined not to purchase from the manufacturer whose policy does not permit the taking back of unsold loaves, unless the brand is so well advertised, or the quality of bread is such that the grocer is forced to keep it in stock in order to meet the demands of his customers. Moreover, some bakers seem to be of the opinion that the sale of left-overs by the grocer injures their reputation with the consumer, and rather than run the chance of having stale bread in the showcases of the grocer, they prefer to accept any loss arising from its return.

Information regarding the poundage of the stales returned was generally unavailable. The majority of the bakers stated that while some stale bread sells for half price, or more, some sells for considerably less, some is given away and some is burnt in the furnace. The major portion, however, is said to be sold for chicken feed, etc., to farmers and others, on the basis of $1 per barrel, of approximately an average weight of seventy-five or more pounds, or about 1.3 cents per pound. In preparing the accompanying table, therefore, this figure of 1.3 cents per pound was used as the estimated realization per pound of stales returned. The net loss on stales was reported by 14 companies with 80 plants in 1924 and by 8 with 188 plants in 1925. This figure divided by the production value per pound [16] less the estimated 1.3 cents per pound realized from the sale of the returns gives the estimated pounds of bread produced, that was returned as stales. The figures thus estimated are on the conservative side, since by applying this method to those few [17] companies which furnished stale poundage

[16] This is the equivalent of amount charged to the drivers at the selling price of fresh bread or the amount that would have been realized if all the bread had been sold as fresh bread and there had been no returns.
[17] Only 3 companies in 1924 and 1 in 1925.

figures, it was found that in practically every instance these actual figures were higher than those estimated by this method. The figures are more nearly correct than would appear from this fact, because they represent the gross amount realized from sales, before covering the expense of the redistribution of stales.

The following table shows the net loss on stales at sales value of fresh bread to have been over $7,000,000 for the years 1924 and 1925 combined, or nearly 3 per cent of the sales value of the bread produced during those years.

TABLE 87.—*Estimated loss on stale sshown in relation to the sales value of bread produced and the estimated net loss per pound of bread produced, 1924 and 1925*

Item	1924	1925	1924 and 1925 combined
Number of companies or company years	14	8	22
Number of plants or plant years	80	188	268
Bread production, pounds	1,156,330,851	1,955,598,577	3,111,929,428
Net sales (realization fresh bread less net loss on stales)	$85,430,587	$152,245,124	$237,675,711
Net book loss on stales (at price of fresh bread less recovery)	$3,017,708	$4,280,846	$7,298,554
Sales value of bread produced	$88,448,295	$156,525,970	$244,974,265
Average sales price of fresh bread in cents per pound	7.649	8.004	7.872
Average estimated recovery on stales in cents per pound	1.3	1.3	1.3
Estimated net loss on stales (fresh bread value minus recovery in cents per pound)	6.349	6.704	6.572
Estimated stale poundage (net loss on stales divided by the estimated net loss per pound)	47,530,445	63,855,101	111,385,546
Cost of production in cents per pound	6.527	6.957	6.798
Estimated net loss on stales (based on costs less recovery) in cents per pound of stales	5.227	5.657	5.498
Estimated net loss on stales in cents per pound of total bread production	.215	.185	.196
Range of estimated net loss on stales in cents per pound of total bread production	.012–.531	.090–.577	.012–.577
Per cent of net loss on stales on sales value of bread produced	2.809	2.308	2.489

Computed in terms of costs and allowing 1.3 cents per pound for recoveries, the loss per pound of stales is 5½ cents or 0.196 cent per pound of bread produced, and ranges as between individual plants from a low of 0.012 per pound in 1924 to a high of 0. 577 per pound in 1925. Loss from stales can hardly be entirely eliminated, and it is conjectural just how much the refusal to accept returns would affect bread sales. It would presumably reduce production a little and thereby tend to increase costs slightly. In consequence, these figures can not be taken as showing that the baker by refusing to accept returns would save all of this expense. The figures, however, do show that losses from this source are large and there seems to be no good reason why the baker generally, in contrast with other manufacturers, should sell goods on what is practically a consignment basis. It is believed that with proper effort on the part of bakers losses from this source could be very greatly lessened, reducing the waste of good ingredients and reducing costs. While the saving in the reduction of stales, might not generally enable the manufacturer actually to reduce the price of the loaf, nevertheless, a saving in this direction would make it possible to give a better loaf of bread for the same price.

PART II

FLOUR INDUSTRY

CHAPTER IX

WHOLESALE FLOUR DISTRIBUTION

Section 1. General statement.

A study of the methods of wholesale flour distribution was made mainly in the Northern States east of the Mississippi River. The following principal markets were covered: Boston, New York, Philadelphia, Baltimore, Washington, Buffalo, Pittsburgh, Cleveland, Columbus, Detroit, Chicago, Milwaukee, St. Louis, Louisville, and Nashville. All these cities were visited in the spring of 1925, except New York, Baltimore, and Washington, in which the inquiries were made in February and March, 1926. Representatives of the commission conferred with about 180 distributors in the fifteen cities named above.

Among the classes of distributors visited were brokers, mill agents, jobbers, merchandisers, wholesale grocers, wholesale flour and feed dealers, blenders, branch offices of mills, sales departments of mills distributing locally, and chain stores.

Generally speaking, full cooperation was accorded the commission's representatives by the trade visited in connection with this investigation. Some of the branch managers in charge of the branch offices of the large milling companies insisted that much of the information desired should be obtained from the head offices of such companies.

The secretaries and other officials of the local flour clubs located in the cities visited, as well as the secretary of the National Federated Flour Clubs, were also called upon to furnish information regarding the activities of these clubs. Besides such oral information they were also requested to permit the examination of their files and correspondence with a view especially to ascertaining whether there were price agreements among them. Such officials all cooperated without reservation, including the permission to examine correspondence, except the secretary of the New York Flour Club, Inc.

Section 2. Organization and methods of trade.

Kinds of distribution.—The wholesale distribution of flour in its present organization is carried on by mill agents, brokers, jobbers, merchandisers, flour merchants, wholesale grocers, blenders, and also by mills directly or through branch offices either in the immediate locality or elsewhere.

The mill agents and brokers sell on commission, usually in car lots, and do not handle the flour physically. They may represent certain particular mills, or place the order with any mill from which they can buy to the best advantage. Brokers and mill agents are, generally speaking, the same. They do not buy outright, and do not physically handle the flour, but simply take the order and forward it to the mill, usually subject to confirmation by the mill. Such a distributor usually styles himself a mill agent when he represents certain particular mills, and a broker when he does not hold himself out as representing any particular mills, but places the order wherever he can get the best terms. Both sell entirely on a commission basis, which is generally a stipulated amount per barrel.

Jobbers are wholesale distributors who buy their flour outright, usually in car lots, directly from mills, mill agents, or branch offices of mills, and sell mostly in less than car lots, largely to the retail trade and to small bakers. Merchandisers are merely a class of jobbers who do a more extensive business than the ordinary jobbers, in that they also sell in car lots and large quantities and may make "track," or direct, delivery from the mill to the customer. The jobbers, merchandisers, and flour merchants not only buy outright but also handle the flour physically, and make deliveries in practically any quantity required. They sometimes, also, handle flour on commission as brokers.

Blenders are those who mix flour of varying qualities bought from different sources in order to produce a flour more satisfactory to their trade. This business is carried on more largely in soft wheat flour for the southern trade and in low grade flour for export than in other lines of trade.

The mills selling directly or through offices are generally the larger companies. They sell in quantities to meet the demand. Their branch offices usually have car-lot orders shipped directly from the mill to the customer, while they fill small lot orders from a warehouse stock carried locally.

By far the larger part of the output of flour is now distributed through mill agents, brokers, and branch offices of the mills. The jobbers and wholesale grocers, generally speaking, seem to be steadily losing in the proportion of the flour business secured by them.

A Buffalo broker, engaged in selling various lines of groceries, asserted that probably 95 per cent of the flour handled in that city is sold from the mills directly to the retailers and that wholesale grocers practically do not handle flour any more, nor the jobbers either to any extent. He said that these wholesalers give extended credit in other lines, but can not afford to do so on purchases of flour on account of the narrow margin of profit.

Quantities and deliveries.—As a general rule the mill agents and brokers sell in car lots only. Sometimes they sell in less than car lots in effect by selling a pooled car, that is one containing the orders of several different parties located at the same shipping point. A good deal of flour, even if sold in less than car lots is not warehoused. It may be sold either track or pier. Track delivery is quite common in Chicago, and pier delivery in New York City. In the last named market there is practically no warehousing of flour in the usual sense. It is nearly all sold "pier delivery," and is supposed to be taken from the pier by the retailer or consumer within three days. This saves storage charges in the city. One distributor stated that 90 per cent of the flour distributed through the New York market is supposed to be sold "arrival draft," which means that it should be moved within three days. He thought, nevertheless, that there was a supply of about 500,000 barrels of flour on hand all the time in New York City.

The jobbers, merchandisers, and wholesalers sell usually in lots of any quantity, say from one barrel or five barrels up. In some markets a large part of the sales are made in jute sacks in bulk. This is especially true in Chicago and Nashville. One broker in Chicago stated that much of the buying is in plain jute sacks. The buyer then packs under his own brand if he is going to sell it again. The bakers, he said, would rather have plain jute sacks.

Blending.—Generally speaking, there was very little blending done by the distributors visited. It was stated that as a rule only "clears" [1] were made in blending. As to whether it pays to blend or not, depends largely on the spread between clears and patents. One reason given for blending was that flour may be taken from several small mills and brought to uniform quality satisfactory to the customer. Blenders buy flour in bulk.

Nashville is the most important blending point, and uses for this purpose about 1,000,000 barrels of flour annually. The blended flour is used largely by the Southern trade, which demands a self-rising flour. One informant said that the retailers would rather buy directly from the blenders in the Nashville market than from the mills, and that therefore the blenders and not the mills are getting the principal business. Jobbers, he said, were selling little in that market.

The following information was obtained regarding the situation in other markets. It was stated that there are only two real blenders in Chicago now. One of the most important distributors in Milwaukee makes a practice of blending. There is a little blending in Philadelphia and St. Louis, and some also in New York. In the last-named market the blending is done chiefly for the export trade or to take care of the output of the small mills. A certain New York distributor makes a practice of blending the product from a number of small mills, thus securing a flour of uniform quality, which satisfies customers and enables these particular mills to sell in the New York market when they could not otherwise.

Brands.—Flour is sold under mill brands, private brands, and in bulk in plain jute sacks. The private brands are used mostly by jobbers, wholesalers, and retail grocers. The bulk purchases are made largely by bakers and blenders, although some wholesale grocers buy in bulk and repack in their own branded sacks. A large part of the family trade is sold under a few well known brands of the large milling companies, but, nevertheless, the total number of brands still on the market is very large.

Consigned flour.—The consigning of flour by the miller to the wholesaler appears to be practically a thing of the past. Almost all of the distributors visited reported that they did not handle any consigned flour. A little flour is still handled on consignment in the large market centers, but very few distributors said that they made a practice of doing it.

Stock carried.—Since mill agents and brokers sell in car lots almost entirely, with shipment directly from the mill to the customer, they usually have no reason to carry any stock. However, one mill agent at Louisville carries stock, so as to give his small lot customers the advantage of car-lot rates. The branch offices of the large mills always carry stock at local points with which to fill small lot orders, but their car lot sales are usually shipped directly from the mill.

The jobbers, flour wholesalers, and merchandisers generally carry larger stocks, some of them as much as 15,000 barrels or more.[2] On the other hand, there are jobbers and merchandisers, especially in New York and Chicago, who practically carry no stock in warehouses, because they have their flour sent pier, or track, delivery. At times

[1] A "clear" flour is one between patent and low grade.
[2] One jobber in New York City said that in the old days he carried as much as 50,000 barrels in stock.

they do this even in selling in small lots by shipping in pooled cars. The wholesale grocers, as a rule, carry rather small stocks, and their flour business, as has already been noted, is generally declining.

Sales.—An attempt was made to get the sales of distributors by barrels for the years 1923 and 1924, but the data obtained were not very complete, and not comparable in form in a number of cases.

Trade sold.—Most of the branch offices of the large mills sell to all classes of trade, although a few of the mills having branch offices that specialize in high grade family flour do not sell to the chain stores, bakers, or cracker companies to any great extent. The mill agents and brokers usually sell to anyone who wishes to buy a car lot, but a number of them sell to bakers only. The predominating trade of a great many mill agents is with bakers, jobbers, and wholesalers. In Nashville they sell also to blenders. The jobbers sell mostly to retail grocers, small bakers, and retail flour and feed dealers, but they also sell to hotels, restaurants, institutions and cracker companies. The wholesale grocers sell principally to the retail grocers and retail flour and feed dealers; but they also sell to hotels, restaurants, and public institutions. One wholesale grocery company in Columbus, Ohio, is turning its attention to the baking trade in an attempt to build up its flour business, which has been declining.

Collections.—In general, collections on car lot sales are made by the mills, whether sold through a branch office, mill agent, or broker. The mill agents or brokers seldom do any collecting because they nearly always handle car lots only. In New York, however, some of them become responsible for the shipments and do the collecting. In fact, it is a peculiarity of this market that a very large part of the flour is bought outright by the distributors and sold to consumers or retailers on the same margin as that received by the mill agents or brokers. This makes them responsible for the collections, which is not usually the case.

Branch offices of the mills do the collecting locally on less than car lot or warehouse business. Jobbers, merchandisers, and wholesalers do their own collecting.

Export business.—A large majority of the distributors visited did no exporting. Some who formerly exported are no longer doing so. The distributors in this country say that they are not able to compete with Canada in exporting flour, and some European countries require less flour than formerly because they are now producing more for themselves. There was still some exporting from New York early in 1926,[3] but exports from other cities were negligible, and total exports of flour from the United States in the spring of 1926 had decreased until they were only nominal.

Comparison of agencies of distribution.—Judging from the markets visited, the most important factors in wholesale flour distribution are mill branch offices, mills selling locally, special mill representatives, and the regular brokers. The jobbers and wholesale grocers are becoming of less and less importance. In the smaller towns, the mill branch offices, the local mills and representatives of particular outside mills probably handle the bulk of the business; but the jobbers are still important in some of the smaller markets. In the

[3] One New York flour merchandiser visited reported that 60 per cent of his business for the past five years had been export.

larger markets, such as New York, Chicago, Philadelphia, Boston, and Baltimore, the mill agents and brokers are especially numerous.

In several of the markets visited a great many distributors are doing both a jobbing and brokerage business; and the fact has already been pointed out (p. 342) that in New York City a very large part of the flour handled is bought outright by the distributors, who sell on the same margin as that received by mill agents and brokers.

It is probable that in all the larger markets the branch mill offices and local mills supply the bulk of the family trade, while brokers and mill agents have the baker's trade, except that of the so-called bakery mergers, which buy almost entirely through central agencies generally located in Chicago.[4] The Washburn-Crosby Co. and the Pillsbury Flour Mills Co., the two largest flour mills in the country, have branch selling offices in all of the principal cities. These offices are usually directed by salaried managers. Their selling policies are almost entirely controlled by the head office at Minneapolis. These companies are a large factor in the distribution of flour throughout the country. In some markets they undoubtedly have the bulk of the trade, particularly the family trade.

Some of the other milling companies maintaining branch offices in a number of the large retail markets are the Northwestern Consolidated Milling Co., Bay State Milling Co., Russell-Miller Milling Co., the Quaker Oats Co., National Milling Co., Omaha Flour Mills Co., Nebraska Mills Co., Hecker-Jones-Jewell Milling Co., and Duluth-Superior Milling Co. The majority of the mills maintaining branch offices have their principal mills in the northwestern milling section, although the southwest is represented to some extent, and also two or three eastern mills.

The mills operating in a number of markets visited are of considerable importance in local distribution. This is especially true in Buffalo, Columbus, Detroit, Cleveland, Milwaukee, Louisville, and Washington. One of the Buffalo mills varies from the usual mill practice in distributing locally, in that it sells outright to a particular jobber, who in turn sells to the retail trade at his own price. This jobber gets the flour from the mill door and makes all local deliveries.

The mill branch offices and the local mills are generally direct competitors of the jobbers, brokers, mill agents, wholesale grocers, and other wholesalers, inasmuch as the two first-mentioned classes usually sell to any kind of trade and in any quantity.

The mill agents and brokers are numerically by far the most important class of wholesale flour distributors, and they probably handle the major portion of the product sold. The jobbers are still a necessary factor in distribution, particularly where there is no local mill competition and little branch office representation, because they now supply the small-lot customers. Nevertheless, in most markets this class of distributors is decreasing in numbers, and in some they are said to be fighting for their very existence. The wholesale grocers used to be an important factor in flour distribution, but now they are almost negligible. In some places practically all of them have stopped handling flour.

[4] One Buffalo distributor, as has already been mentioned (p. 340), estimated that 95 per cent of the flour used in that city was sold directly from the mills.

Cooperative distribution.—Cooperation is a factor in wholesale flour distribution in some sections, notwithstanding such activities have been very vigorously fought by the regular line wholesalers. Probably the most important organization of this kind is the Creasey Corporation, which handles other kinds of groceries as well as flour. The head office of this concern is in Louisville, but it operates in 19 different cities, with affiliations in 7 more, and has 26 warehouses. The membership is composed of retail grocers of the United States, numbering from 5,000 to 6,000.

This corporation used to sell stock to each member at $100 a share. Now it sells a service certificate for $150. No return is paid on either the stock or service contract. The member is supposed to get his price reduction, or profit, on each bill of goods he buys. He pays a jobber's price plus about 3 per cent to cover cost of running the business. At Louisville the corporation distributed locally through the Merchants Wholesale Grocery Co.

The Baltimore Wholesale Grocery Co. is a cooperative concern, which is said to be the oldest of its kind in the United States. It has about 700 members, and has tried various plans to give the members the advantage of cooperation. At present it is using a method of special discounts. Persons not members of the company may buy, but they must pay 1 per cent above the prices quoted to members. This company is reported to have been doing business for years at a cost of less than 4 per cent, while the regular line wholesale grocer's costs are said to be around 7 to 8 per cent.

St. Louis has a cooperative bakers' association to which about 140 bakers belong. It handles flour and all kinds of bakers' supplies, and buys and sells practically in the same way as a jobber. Each member must deposit a sum of not less than $200 nor more than $2,000 with the association. These deposits constitute the working capital. Certificates of deposit are issued to the members and interest is paid on these certificates. Ten per cent of the surplus each year is set aside as a reserve, while distribution of the remaining surplus is made each year. The association has been paying 6 per cent interest on certificates, and the distributions of surplus have been from 3 per cent to 6 per cent of the amount of purchases made by members.

Section 3. Prices, costs, and margins.

Quotations.—Very few distributors issue price lists to the trade any more, because quotations change so rapidly of late years that it no longer pays to do it. Some mills issue price lists to their representatives, and they or their salesmen in turn quote prices to the trade. Mill agents and brokers usually receive quotations from the mill either by letter or by wire. Wholesale grocers still quite generally issue price lists to their trade, and those who handle flour usually include quotations on that line.

Quotations on practically all car-lot orders, whether made by the branch office representative or by the mill agent or broker, are subject to confirmation by the mill when the order is taken. Jobbers, merchandisers, and wholesale grocers make their own prices.

It was found impracticable to secure from distributors generally quotations covering an extended period. In fact, it was impossible in most cases, for many distributors do not keep their quotations for such a period. The current quotations at the time of the visit were usually obtained, but the data were not satisfactory for comparative purposes.

Price differentials.—The distributors were practically unanimous in stating that they make no price differentials to any particular class of trade as such. However, they do often make a difference in price depending on the quantity bought, and naturally there are differences in prices on different grades of flour. This often gives rise to the idea that some bakers are getting price differentials.

Of course, the price to the car-lot buyer is usually less than the price that jobbers make, on account of added cost of handling on the part of the jobber. A large distributor very often makes a lower price to the jobber than to the retailer. This difference is supposed to cover only difference in cost of handling as affected by quantity sold.

A representative of a Milwaukee mill stated that his company usually added 25 cents a barrel to the bakers' and grocers' price in selling to hotels, restaurants, and institutions. At times, it is stated, mills will give special prices to keep running, and there are occasions when a distributor will give a special price to get a particular order, or to get volume sales for a particular period.

The statements by distributors with regard to price differentials may be supplemented by certain information gained from the officials of mills, who were visited in connection with other phases of this investigation.

A director of a Minneapolis milling company whose bakery trade is mainly with the medium-sized bakeries which buy directly in car lots and with smaller bakers who are supplied through jobbers and wholesale dealers, said that they had no established differential between prices for small and large bakers, and that there seemed to be fully as much competition for the trade of the former as for that of the latter.

Some mill officials stated that the cracker trade usually gets flour at lower prices than most of the other purchasers. One of these, an official of a milling company in Indiana, assigned as a reason the lower selling cost to the cracker trade, due, as he said, to the fact that the negotiations are usually conducted by correspondence, whereas other trade must be visited regularly. The vice president of an Indianapolis mill said that they made low prices to a certain large cracker company partly because the latter would take flour in large packages.

The president of an Ohio company said that his mill sold some flour to cracker companies at times when production was large and the entire output could not be sold elsewhere. He also asserted that the cracker companies will not buy unless they can get their flour at a very low price, but that ordinarily they will take a poorer grade of flour than the general trade. This statement regarding the quality of flour bought by cracker companies was confirmed by an Indiana miller who said that in meeting competition in a certain class of trade, such as the biscuit companies, his company found it necessary to make special prices, but that this trade was furnished their basic grade of flour and not their best grade.

The president of a milling company in Ohio made the statement early in 1925 that most of the big bakers buy flour nearly 60 cents per barrel under the price paid by the small bakers; and several mill officials told representatives of the commission that the large bakery combines were able to buy flour below cost of production.

Buying terms.—The mill agents and brokers, as has been previously noted, do not handle the product physically, and it is not billed to them but directly to the purchaser. Hence they are not concerned with buying terms. New York City is an exception to this rule. There, in many instances, as has already been explained (p. 342) the flour is billed to mill agents and brokers on "arrival draft" terms, and they are then held responsible by the mills for the collections from the customers.

Jobbers, bakers, wholesale grocers, and others buying in car lots, usually have to buy on arrival draft with bill of lading attached. Once in a while flour may be bought on sight draft or time acceptance and occasionally on open account. Usually the open account terms are given by local mills. Practically all buying terms are quoted net; almost no cash discounts are given. The mill which makes a private brand of flour for a certain large distributing organization allows that concern to buy on open account, 30 days net and 2 per cent discount for cash in 10 days.

Selling terms.—Selling terms show considerable diversity. The mill agents and brokers, selling almost entirely in car lots,[5] make arrival draft terms, bill of lading attached, with all prices net and no cash discounts. The jobbers and wholesalers, selling generally in less than car lots, give terms varying from cash to a week, 10 days, 30 days, or 60 days, the predominating time being 30 days. Their quotations are mostly net, but some give a cash discount of one-half of 1 per cent, or 2 per cent, or 5 cents a barrel, if paid in a specified time, usually 10 days. One concern gives 1 per cent cash discount on monthly settlements if purchases are made from the 1st to the 15th of the preceding month.

Many of the jobbers and wholesalers state that purchasers take more time than the terms allow.

Gross margins.—The gross margins received by the wholesale distributors vary a great deal, according to the kind of a distributor and the services rendered. The predominating gross margin received by the mill agent or broker is a commission of 15 cents per barrel. In many instances where such a distributor is supposed to receive 15 cents, he actually gets only 10 cents, and at times 5 cents. A few get as much as 20 cents a barrel. One distributor finds a distinction between domestic and export business in the amount of commission allowed. On domestic trade he gets 15 cents a barrel, but on export he receives only 10 cents. Out of these gross margins the distributor has to pay his office expenses, telegraph or telephone charges, and any other incidental expenses he may have. In some instances he pays for salesmen also. One distributor in a large eastern city who receives 20 cents a barrel gross commission reports an actual net profit of 2 cents a barrel.

[5] They occasionally sell a pooled car, as has been noted above (p. 340).

The gross margins of the jobbers or merchandisers range from less than nothing up to $1.50 a barrel. The predominating range, however, is reported to be from 75 cents to $1.25 per barrel, and the average around $1. Some jobbers asserted that they were operating on gross margins of from 35 to 60 cents a barrel, and a few who use track or pier delivery stated they were selling as low as 5 cents a barrel gross margin.

Wholesale grocers practically never have their margins figured on a per barrel basis. They try to get gross margins ranging from 5 per cent to 13 per cent of the cost of the flour. Their average is about 8 per cent.

One retail chain store visited gets a gross margin of about 5 per cent, and another from $1.20 to $1.50 per barrel.

Net profits per barrel.—Most of the wholesale grocers and many of the jobbers declare that they are now making little or no profit on flour. The mill agents or brokers reported net profits varying from 2 to 12 cents a barrel. The information secured from jobbers shows net margins for this class of distributors ranging from a loss of nearly 2 cents a barrel to 50 cents a barrel profit. About 15 cents a barrel seemed to be the prevailing net profit. Practically no data on profits could be obtained from the branch offices of the large mills. They almost invariably stated that such figures would have to be obtained at the head offices.

A great many wholesale grocers say there is no money now in selling flour, and that they handle it just to accommodate their trade. One large wholesale grocer in Chicago stated that, while flour used to be handled in a separate department it is now one of five articles in a single department. One large distributor in New York said conditions in New York were unbearable, and that little profit was made, except by speculating.

Cost of distribution.—Costs of distribution through the jobbers ranged from about 50 cents a barrel for a St. Louis jobber to as much as $1 a barrel for a Detroit jobber. A Chicago company reported costs of 67 cents a barrel for November, 1924. An important Boston jobber reported warehouse costs of 15 cents a barrel, delivery costs of 15 to 50 cents a barrel, and salesmen's costs for large lots of about 50 cents a barrel. Taking everything into consideration the year round for selling and handling flour, this jobber said it would cost around 75 cents a barrel. Another Boston jobber reported an average cost of 92 cents a barrel in 1924.

A Milwaukee branch manager reported that total selling costs on city business would average about 35 cents a barrel. A local mill at Cleveland, Ohio, doing a jobbing business in the city, stated that its total selling costs per barrel in 1924 were $1.31.

Information secured from distributors showed costs of distribution through mill agents or brokers ranging from 7 cents to 20 cents a barrel.

A number of the distributors assert that selling through a broker costs less than selling through a mill branch office. One distributor stated that he had never known of a small mill that could make any money through branch offices. The practice of selling through brokers or mill agents makes it possible, it is said, for many small mills to have representation in markets where they otherwise could not get it on

account of prohibitive selling costs. One broker in Chicago sells for as many as 18 different mills, which, he states, could not afford to keep exclusive agents there.

Delivery charges.—The jobbers, merchandisers, wholesale grocers, and branch offices selling locally in small lots have delivery charges as one of the costs to reckon with in calculating their total cost of distribution. The mill agents or brokers do not have such delivery charges, because their sales are shipped directly to the customers from the mills and the mills take care of the local delivery. Neither do the branch offices have any delivery charges on their car lot sales for the same reason.

Delivery charges vary considerably in the different cities. Several have zoning systems in effect with different charges for each zone. In some cases the charges vary according to the quantity to be delivered and the size of the package to be handled. Some distributors contract for their deliveries by the month and some at a uniform charge per barrel, and a great many hire trucking companies to make their deliveries instead of doing it themselves.

The information secured on this subject shows the following delivery charges in different markets visited: Boston, average charge in the city 15 cents, with charges for outside deliveries running as high as 50 cents per barrel; Greater New York, range 15 to 50 cents, depending on zone and quantity, with average of 25 cents per barrel;[6] Philadelphia, 15 to 25 cents, with deliveries to outside points up to 50 cents, and deliveries across the river in New Jersey 33 or 34 cents;[7] Baltimore, 10 to 25 cents;[8] Washington, average about 20 cents for the city proper and 30 cents to 35 cents for outside deliveries;[9] Buffalo, 15 cents to 25 cents in the city and 30 cents to 50 cents outside; Pittsburgh, 23 cents to 25 cents, as reported by one distributor;[10] Cleveland, average 15 cents to 20 cents in the city and 30 cents to 35 cents outside;[11] Columbus, range from 5 cents to 40 cents with an average of 20 cents;[12] Detroit, average about 15 cents; Chicago, average about 20 cents in the city and about 30 cents outside;[13] Milwaukee, 10 cents to 30 cents, the zone rates being 20 cents, 25 cents, and 30 cents;[14] St. Louis, 15 cents to 25 cents, with 20 cents average, and 30 cents for outside delivery;[15] Louisville, charges reported 7 cents and 10 cents; Nashville, about 15 cents per barrel.

[6] One distributor reported charges of 40 cents, 45 cents, and 50 cents in Brooklyn. Another said that local delivery to Fourteenth Street in Manhattan was 15 cents, charges in Harlem 20 cents, in the Bronx 25 cents, and in all other parts of the greater city, 25 cents. Some pier delivery from Jersey City costs $3 per car.

[7] Three or four cents of this is the ferry charge.

[8] One informant reported 20 cents to 50 cents, depending upon zone and load.

[9] One distributor reported 25 cents per barrel for less than 5-barrel lots and 20 cents for 5 barrels or more in the city and 50 cents outside.

[10] A wholesale grocer reported that delivery costs were 23 cents to 25 cents per 100 pounds.

[11] One informant reported 21 cents as actual average cost.

[12] One distributor had a contract price of 16 cents.

[13] One informant gave the range as 16½ cents to 29½ cents, according to the zone; another gave the zone rates as 18 cents, 20 cents, 22 cents, and 25 cents.

[14] One informant reported 12 cents to 20 cents, depending upon the size of the load and number of stops.

[15] One distributor had a contract for 18 cents, while another had a sliding scale, depending on the amount delivered in the month, running from 17 cents to 25 cents.

CHAPTER X

COMPETITIVE ACTIVITIES AMONG FLOUR MILLERS

Section 1. Scope.

This chapter describes the activities among milling companies and milling associations to restrict competition in the sale of flour throughout the country. These activities were initiated during 1923, a year of comparatively low profits for milling companies and culminated in April, 1925, in the adoption of a so-called "code of ethics" at a meeting of the Millers' National Federation.

The principal activities of this kind here described included the use of a black list; curtailment of production; and agreements, understandings, and cooperation to sell at a profit, to exchange information on selling prices, to fix the elements of selling prices, to fix uniform carrying charges on "forward" sales—sales made for delivery at some time in the future—of flour, and to fix uniform differentials in the prices of flour sold in the different kinds and sizes of packages. Provisions covering these activities are included in the code of ethics.

All of the associations visited by agents of the commission permitted the examination of their records to be made except the Millers' National Federation, Chicago, Ill., which, while permitting most of its records and correspondence to be examined, refused to permit examination of part of the correspondence, and also refused to permit copies to be made of any of the correspondence selected.[1]

Of the milling companies visited, 17 refused to permit examination of any correspondence and 6 either refused to permit the examination of part of the correspondence to be made or refused to permit copies to be made of the correspondence selected.

The 17 companies refusing to permit any of their correspondence to be examined are as follows:

Washburn-Crosby Co., Minneapolis, Minn.[1]
Pillsbury Flour Mills Co., Minneapolis, Minn.[1]
International Milling Co., Minneapolis, Minn.
Wabasha Roller Mill Co., Wabasha ,Minn.
Bay State Milling Co., Winona, Minn.
Ismert-Hincke Milling Co., Kansas City, Mo.
Larabee Flour Mills Corporation, Kansas City, Mo.
Midland Flour Mills, Kansas City, Mo.
J. C. Lysle Milling Co., Leavenworth, Kans.
Topeka Flour Mills Co., Topeka, Kans.
H. D. Lee Flour Mills Co., Salina, Kans.
Wm. Kelly Milling Co., Hutchinson, Kans.
El Reno Mill & Elevator Co., El Reno, Okla.
Federal Mill & Elevator Co., Lockport, N. Y.[1]
Valier & Spies Milling Co., St. Louis, Mo.
Bernet, Craft & Kauffman, St. Louis, Mo.
Lexington Roller Mills Co., Lexington, Ky.

The three companies that permitted examination of a part of their correspondence but refused to permit further examination, and also refused to permit copies to be made of the correspondence already selected, are as follows:

Russell-Miller Milling Co., Minneapolis, Minn.[1]
Ballard & Ballard Co., Louisville, Ky.
Acme-Evans Co., Indianapolis, Ind.

[1] For a list of papers copies of which were refused the commission see Competitive Conditions in Flour Milling, May 3, 1926, Appendix, Exhibit 1.

The three companies that permitted all their correspondence to be examined but refused to permit copies to be made of the correspondence selected, are as follows:

Omaha Flour Mills, Omaha, Nebr.
Kansas Milling Co., Witchita, Kans.[1]
Kansas Flour Mills Co., Kansas City, Mo.[1]

The Livingston Economic Service, Minneapolis, Minn., which furnishes cost and price statistics to a group of Minneapolis and other northwestern millers, refused to permit examination of its correspondence.

A number of companies refused to permit copies to be made of specified letters requested.

Section 2. Curtailment of production.

Cooperation among wheat flour millers in the fall of 1923 first took the direction of emphasizing the need for curtailment of production. This matter was discussed at the semiannual meeting of the Millers' National Federation at Chicago, Ill., on October 12, 1923. A summary printed in the report of this meeting contains the following regarding production of flour:

It would be impracticable to publish a full report of the discussions, but there were certain outstanding features which should be read and carefully considered by all millers. These can be summarized as follows, based on conditions as reported by those who addressed the meeting, the causes for these conditions, and the remedies suggested for improvement:

Conditions in the industry:

General demoralizing conditions, attributed to production of large amounts of surplus flour.

The causes:

A milling capacity greatly in excess of our domestic needs.

* * * * * * *

Suggested remedies:

* * * * * * *

That under existing conditions it is not a reflection on the mill manager for a mill to shut down if the product can not be sold at a profit; some of the most successful millers who addressed the meeting stated that they did not hesitate to shut down when their product could not be sold above cost of production and selling.

* * * * * * *

A number of those present expressed the opinion that the whole situation was covered by one veteran miller when he said: "Make no surplus flour and you will have no trouble."

In describing the federation meeting of October 12, 1923, Frank H. Tanner, secretary of the Ohio State Millers' Association, had the following to say regarding production in his association bulletin dated October 16, 1923:

The meeting partook of the nature of one of our local meetings, with free discussion by anyone wishing to take part. The consensus of opinion was that overproduction was the cause of all our troubles, and many suggestions were made for overcoming the law of supply and demand. Among them were reduction of operation by agreement. Of course, this would run counter to the law as being in restraint of trade. * * * One miller suggested that he had secured the cooperation of his local competitors (three of them present) by having them shut down and he to continue operation.

[1] For a list of papers copies of which were refused the commission see Competitive Conditions in Flour Milling, May 3, 1925, Appendix, Exhibit I.

On December 13, 1923, A. C. Loring, president of the Pillsbury Flour Mills Co., Minneapolis, Minn., wrote Walter Stern, president of the Bernhard Stern & Sons (Inc.), Milwaukee, Wis., as follows, in regard to capacity and production:

I am willing to agree that there is a tremendous overcapacity in this country, but I do not think that we shall ever reach the point where we can mutually agree to shut down for a given number of hours to increase the profits of the milling business. That by so doing we might be the gainer in the long run goes without saying, but, as you are fully aware, the competition between the millers is such and the pressure is so great that it is impossible to get them to agree (if they could legally do so) on any policy that would be cooperative.

There was a meeting of about 60 representatives of northwestern millers at Minneapolis, Minn., on February 26, 1924, at which curtailment of operations was discussed. C. T. Vandenover, secretary of the "Southern Minnesota Mills" (a millers' association), wrote on February 27, 1924, to G. M. Palmer, president of the Hubbard Milling Co., Mankato, Minn., and also president of the "Southern Minnesota Mills," describing this discussion as follows:

Mr. W. C. Helm spoke of the curtailment of operations from their total milling capacity, and which he felt should necessarily be done by all mills; at least, those that were in position to do so. He spoke of operating 12 plants with a capacity of 13,500 barrels, and that they had shut down four of these plants, which has resulted in reducing the capacity of 13,500 to 8,000 barrels, which is now being operated by eight plants of the Russell Miller Milling Co. He favored the creation of this committee and asked that the motion prevail.

* * * * * * *

Mr. Walter Stern spoke on the reduction in output of their mill and the necessity for every miller taking the position that reduced operations must necessarily be figured in the milling grind to-day if they are going to be able to take a stand in securing prices which are commensurate with curtailed operations in their daily output.

C. T. Vandenover, secretary of the Northwest Spring Wheat Millers' Club, told an agent of the commission in December, 1924, that the running time of the mills had been discussed at many of the meetings of the club. In connection with this subject he said in substance, quoting from the agent's interview:

The milling industry as a whole is apparently in this position, that we have now more capacity than can operate on full time, and that naturally if every mill is going to get its fair share of the business a man figuring to operate 24 hours a day is liable to figure himself short when it comes to doing his year's business. Many mills have increased their capacity throughout the country as a whole. It has been very difficult for any mill to try and operate anywhere near capacity. The mills at Minneapolis, I think, have not operated over half capacity during the past five years. The Southern Minnesota Mills have run about 55 per cent. The operating capacity shifts in the different territories in different years, according to conditions. Take Buffalo. I think with its position they have been able to operate very largely to capacity throughout the greater part of the year. That was also true of the north Pacific coast mills last year and the year before. I do not think they are operating as heavy this year. That is a thing that keeps shifting from time to time in the different territories.

Section 3. Black list.

During the first part of 1924 a black list of customers was in use among southwestern millers. This list was furnished by C. V. Topping, secretary of the Southwestern Millers' League, Kansas City, Mo., who secured it from the records of the Millers' Exchange, which was then out of existence.

In this connection the Attica Mills, of Attica, Kans., wrote C. V. Topping on January 4, 1924, as follows:

Quite some time ago you sent us a small book, copy of which was secured from the Millers' Exchange records, in regard to buyers whom different mills have had trouble with in the past. Since we received this book we received also a few names of buyers whom mills have had trouble with, which we are keeping very close track of.

In order to protect ourselves, we have gone over this book which you sent us, and find that in territories we work a few of these names appear on our prospective lists. We would appreciate it very much if you could tell us the nature of some of these troubles with these buyers, or if you could put us in touch with parties that have had trouble in the past.

We want to check up, and our aim is to get rid of any undersirable prospect whom our salesmen call on. The following are the names of those we would like to hear about. We are giving you them on certain pages as shown below.

The letter then gave the names and addresses of 38 concerns, occurring on pages 6 to 107 of the book referred to above. The addresses given show that these concerns are scattered throughout that part of the country from Boston, Mass., to El Paso, Tex.

On January 5, 1924, Mr. Topping replied to the above letter as follows:

In reply to yours of the 4th we have checked over the list you send [sent] in and those names that are not given below with the mill who had trouble with them are the Millers' Exchange list and the only thing that we know is that mills had trouble with their contracts with these parties. But we, of course, do not know who the mills were.

Elkhart Baking Co., Elkhart, Ind.; Leavenworth Milling Co., Leavenworth, Kans., had trouble with this concern. The name was turned in by their secretary and treasurer, M. J. Trum, jr.

Haller Baking Co., Pittsburgh, Pa.; Dodge City Flour Mills, Dodge City, Kans.

Koerner & Co., John E., New Orleans, La.; the Slater Mill & Elevator Co., Slater, Mo., had trouble with this concern. The firm bought flour on 30 days' shipment, did not order it out for almost 60 days, and then wanted it shipped to a point other than the one sold to. The mill canceled the order.

City Bakery, Marshall, Tex, the El Reno Mill & Elevator Co., El Reno, Okla., had trouble with this firm. Mr. J. G. Tompkins, assistant sales manager, sent the name in.

Powells Home Bakery, El Paso, Tex., Snell Mill & Grain Co., Clay Center, Kans.

Sessions Flour Co., Davenport, Iowa, and Van Hoozier Bakery, Iola, Kans., Shellabarger Mill & Elevator Co., Salina, Kans.

We wish to call your attention that on page 102 it should be Thomson Bros., New Orleans, La., instead of Thomas Bros. This is one of the Millers' Exchange list also.

Mr. Topping's letter shows that he had no information as to the reasons why 31 of the concerns were placed on the black list which he had sent out, and as to the seven concerns listed in his letter, he assigned a reason in one case only, that reason being: "The firm bought flour on 30 days' shipment, did not order it out for almost 60 days, and then wanted it shipped to a point other than the one sold to. The mill canceled the order."

The fact that some of the concerns listed were placed in this blacklist without specific grounds is shown in the following letter of February 18, 1924, from W. R. Duerr, vice president and general sales manager of the Kansas Flour Mills Co., Kansas City, Mo., to C. V. Topping, secretary of the Southwestern Millers' League, Kansas City, Mo.:

I think we should carefully go over the list of undesirable customers that we have listed, since I feel reasonably sure that some of the names that now appear would again be satisfactory for the mills to sell.

For instance, in looking through the book here and there, there are some good customers that appear in this book that possibly were not at all at fault as to being listed. It might have been it was the mill's fault and I think some of these are good concerns and you should write the mill that reported them and ask them really what the difficulty was and see if we can not get the book to be of better service than it is now.

About 90 per cent of the names are right, but there are some in here that we should take out. It might be a good idea to write all the mills if they are selling anyone listed and what experience they have had with them, and possibly that would give you a basis on which to start, since I know there are a lot of names listed in here that mills of good standing are selling and enjoying good business from them.

On May 6, 1924, R. W. Magill, secretary and sales manager of the Kansas Milling Co., Wichita, Kans., wrote C. V. Topping, as follows:

We note that Bonomo Bros., of Utica, N. Y. are listed on the millers' black list and wonder if you could give us any details of what sort of a streak of yellow these fellows had, as recently we booked the firm of Frank Bonomo & Co., of Utica, a car of flour and doubtless he is some of the same family.

On May 7, 1924, G. V. Topping, son of C. V. Topping, replied to the above letter as follows:

Yours of the 6th to my father at hand. Mr. Topping is in the East, New York, and Washington, and will return about the 12th.

Regarding the firm of Bonomo Bros., this firm was turned in by some one in the old Millers' Exchange and we have no record of whom it was; suppose it was a matter of contract or something.

We have no information regarding Frank Bonomo & Co., of Utica, although doubtless he is one of the brothers. Our records show there is also a Vincent Bonomo doing business at Utica, also we have a Joseph Bonomo at Attica, N. Y., turned in by the Nebraska Consolidated Mills Co., of Omaha; doubtless these are all brothers or cousins. Sorry that we can give you no information regarding the party you are in doubt about, and if you care to have us make a thorough investigation of this party we will be glad to do so thru our many sources of information.

On July 3, 1924, E. W. Reed, of the Arkansas City Milling Co., Arkansas City, Kans., wrote C. V. Topping as follows:

If we are not mistaken the Toole Bakery Co. of Montgomery, Ala., have been on the "black list" at various times, for the manner in which they have handled flour contracts. You will please let us know if our information is correct, and any details you can give us will be appreciated.

On July 7, 1924, C. V. Topping replied as follows:

We find that our records do not contain the name of this firm. We were supposed to have one of the original Millers' Exchange booklets and do not find the name there. If they were on the undesirable list, we do not have any record of it.

Section 4. Agreements, understandings, or cooperation to sell at a profit.

Considerable attention has been directed, both at various millers' meetings and through correspondence, toward securing agreements, understandings, or cooperation among millers not to sell flour at less than cost, but to sell at a profit only.

In reporting to his members the discussions on trade conditions at the October 12, 1923, meeting of the Millers' National Federation, Frank H. Tanner, secretary of the Ohio State Millers' Association, made the following statement regarding the discussion on sales of flour:

Selling flour at or below cost was disapproved. Many present pleaded guilty to doing this, in order to keep the mills in operation. Some classified their sales as productive of profit, as of getting out without loss, and as selling below cost.

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It was the consensus of opinion that the matter was one that each must solve himself, but that all should determine not to sell without a profit. If all will do this, the problems will be solved.

On October 30, 1923, Bernhard Stern & Sons, Milwaukee, Wis., wrote to the Millers' National Federation, Chicago, Ill., in regard to low prices at which the Abilene Flour Mills Co. sold flour in Wisconsin, suggesting a plan "to enlarge on the benefits to be derived along the lines of the discussion at the recent federation meeting." The last paragraph of this letter is as follows:

We believe we are doing our part by refusing to accept business that does not represent cost or cost with a profit added. We thereby are doing a smaller volume of business, but certainly are keeping our feet on the ground.

In a circular letter dated December 1, 1923, G. M. Palmer, president of the Southern Minnesota Mills, and also president of the Hubbard Milling Co., Mankato, Minn., described a meeting of millers held in Minneapolis late in November, 1923, as follows:

A most important conference was held on Saturday last in Minneapolis. Mr. Bell of Washburn-Crosby, Mr. Loring of Pillsbury Milling Co., and Mr. Helm, of the Russell-Miller Milling Co. were in attendance and addressed the meeting.

You are familiar with the demoralization existing in the milling business by which flour is sold at cost and less, and terms given not warranted by good business practice, and sales made for long-time deliveries, notwithstanding the fact that to do so means assuming a heavy carrying charge which can not possibly be avoided.

Country mills have felt that the large Minneapolis mills were at least as great offenders as any, and it was with surprise and satisfaction that we had the positive assurance of Mr. Bell that they would not sell flour without a margin, that they would not sell beyond 60 days without a carrying charge, and that they had fully determined to make a profit on everything they sold, and had given up the idea that they would run their mills full time anyway. Mr Loring agreed substantially with Mr. Bell, and Mr. Helm thought now was the time for our members to take these Minneapolis mills seriously and see if better conditions could not be brought about.

It requires no prophet to tell us that disaster is sure to overtake the milling industry if the indiscriminate cutting and slashing and unbusinesslike methods which now prevail are continued. Evidences of the result sure to follow are not hard to see. I believe that it is up to each one of our members to put his own house in order and adopt better business methods and have faith in our competitors, at least to the extent of trying to do better ourselves, and not listen to the statements of salesmen and buyers but ask at least a small margin on what flour we do sell.

It was suggested that in order to be safe at least $1 per barrel over the cost of the wheat should be added in all cases to cover cost of milling and selling, and even this will scarcely cover any margin of profit considering the cost of carrying the flour sales and the risk of the feed market, etc.

It was also suggested that now is an opportune time to form a spring-wheat millers' association, including all northwestern mills, with the view that such an organization could meet occasionally, talk over milling conditions, and try to correct the abuses of our business.

I shall be glad to have your opinion as to the advisability of making an effort in this direction, also any suggestions that you may have to offer along the line of following the suggestions made by the Minneapolis millers, etc.

W. B. Webb, manager of the Wabasha Roller Mill Co., Wabasha, Minn., replied to the above letter on December 1, 1923, as follows:

Your letter of the 1st is received. I take it that you sent the same letter to the entire membership. It is a very good letter, and I sincerely hope it will have the desired effect upon the members, following as it does the gathering held last Saturday at Minneapolis.

Nobody has to urge us to get a little more than cost for our flour. We simply are not going to sell it otherwise.

As to an effort to organize all the northwestern mills into the association. I am heartily in favor of that, if for no other reason that [than] to equal the Southwest in that respect. I marvel at the way in which they all hang together more as a unit, and believe that the industry in the Southwest has been greatly benefited because of it. I should like to see it brought about in the Northwest. Of course, there are about three groups up here whose interests are not identical in every respect. The southern Minnesota interests do not coincide in every way with the Minneapolis interests, nor do the interests of the northern Minnesota mills share in common with the other two. But in one thing we are all one, and that is in the manufacture and sale of flour at a profit.

That the talk about securing a profit or margin was interpreted as relating to prices is shown by the following letter written on December 1, 1923, by F. J. Allen, general manager of the Bay State Milling Co., Winona, Minn., to Mr. Palmer:

Spring Wheat Millers' Association as referred to in yours 1st:

We are undecided. For some time it has seemed that the demoralization existing in the milling business, with which we are all so unfortunately familiar, has been increased rather than decreased by organization.

Recently a meeting of a large number of members of the Millers' National Federation was held in Chicago, which many thought would result in an improvement in the milling business, but it seemed to us that things were even worse after that meeting. The conference held in Minneapolis last Saturday, as referred to in your letter, also seemed to be an important one, but the prices we have come in contact with since that meeting have been the very worst we have seen in months, and, we are sorry to say, these prices have been quoted in several cases by some of the factors who assured us so vehemently that they would not sell without a margin. If white rye flour at $4.20, jute, Philadelphia, all rail, means a margin, we are willing to give up; and if wheat patent flour at $6 to $6.15, jute, Baltimore rate point, includes a profit, then we are out of the running. One of our salesmen reported only a couple of days ago that a well-known spring wheat mill is out urging its flour on the buyers on special terms of remit, or 30 and 60 day draft, pay for when sold—any old terms to get business. It makes it pretty hard for the mill that is trying to stick to arrival draft terms.

It does no good for millers to get together and do a lot of talking if they will not adhere to ordinary, common-sense business practices when they get home.

Presume there will be quite a few millers in Minneapolis Wednesday attending the Philadelphia Tidewater Terminal meeting. Before committing ourselves as to the advisability of forming a spring wheat millers' association, we would like to discuss the matter with some of these millers.

In a letter directed to Henry A. Bellows, of the Northwestern Miller, Minneapolis, Minn., and dated December 11, 1923, Walter Stern, president of Bernhard Stern & Sons, Milwaukee, Wis., wrote in part as follows:

* * * As you undoubtedly are aware, both the southwestern millers and the northwestern millers have come to the realization that with the present capacity of the mills the several millers will have to understand that they can not all run at full capacity, and that in consequence thereof they must base their cost calculations on a reduced output. Furthermore, they have discussed among themselves and concluded that it is their own fault that their several businesses are unprofitable. It is self-evident that the only way that they can improve their businesses is by not making any sales below actual cost, and if they hope to end their fiscal year on the right side of the ledger it is necessary to add a profit to every sale that they make over and above actual cost. A very decided strong effort is being made by a great many mills both in the Northwest as well as Southwest in this direction. * * *

On December 11, 1923, Mr. Stern also wrote to A. C. Loring, president of the Pillsbury Flour Mills Co., in part as follows:

It was very pleasing to me to have you and Mr. Bell meet with the Southern Minnesota mills along the lines that we did on Saturday morning. It has been our experience that the conclusions on the part of the millers has [have] already borne considerable fruit, notwithstanding and in face of the fact that sales are practi-

cally at a standstill. While here and there we find that millers are weak enough to make sales which certainly do not represent their cost, our sales force is unanimous in reporting that prices are quite in line with ours, which represent full milling cost with a profit added to it. We are not at all discouraged that we are going through a tedious period of very small sales. We find that from the report of sales made by the Southern Minnesota Mills which we receive daily that others in this group are doing just as little as we are. I think that the opinions expressed in the meeting we had can only redound to our benefit, and it is up to the millers themselves to see that the returns from their enterprises are in keeping with the large investment and hazards natural to our business.

Did you read Mr. L. E. Moses's letter which was read at the Southwestern Millers' Association meeting recently, and which was printed on page 876 of the November 28 issue of the Northwestern Miller? On page 22 of the Modern Miller (issued December 1) there is a small editorial headed "Price cutting on the wane," which, together with the reports of the many correspondents in the Northwestern Miller as well as Modern Miller, indicate that both in the Southwest as well as Northwest the resolution on the part of the millers in general is to hold prices firmer and in line with cost calculations based on a reduced output are actually being carried out. While there will always be some millers who will depart from the best practice in the way of adhering to reasonable prices and proper terms, we feel confident that by coming together occasionally and informally discussing our trade problems such as we did recently, will very materially lift our industry to the basis where it should be, and that is with a proper profit return even under the prevailing circumstances as they apply to our industry at the present time.

On December 12, 1923, Mr. Stern wrote a letter to James F. Bell, vice president of the Washburn Crosby Co., Minneapolis, Minn., containing the identical two paragraphs quoted above. On December 13, 1923, Mr. Stern wrote letters containing these two paragraphs to other millers. (See p. 359.)

On December 13, 1923, Mr. Loring replied to Mr. Stern's letter of December 11, 1923, as follows:

I am in receipt of your favor of December 11, and have reread Mr. Moses's letter in the Northwestern Miller, to which you referred.

Unfortunately, I can not come to the same viewpoint that he evidently does. I am willing to agree that there is a tremendous overcapacity in this country, but I do not think that we shall ever reach the point where we can mutually agree to shut down for a given number of hours to increase the profits of the milling business. That by so doing we might be the gainer in the long run goes without saying, but as you are fully aware the competition between the millers is such, and the pressure is so great, that it is impossible to get them to agree (if they could legally do so) on any policy that would be cooperative.

I have had hopes that we might possibly reach an agreement as to methods of conducting business, placing them on a sound, practical basis as to terms and conditions of sale and the enforcement of same, that might work out materially to our advantage. We are all interested in conducting business on good, sane, sound principles, and we should be able to agree on what those principles of doing business are. It is insane, in my judgment, to sell flour as it has been sold this year, and yet competition has been responsible for it in part. There is nothing, as I understand it, illegal in agreeing on the terms on which flour should be sold to all customers, and the period of time which they should have in which to take it out; but I am not oversanguine on millers arriving at anything that can be depended upon.

We, unfortunately, have not found a very great improvement in the attitude of the mills since we had the pleasure of seeing you here at the Edgar reunion. Cutting goes on continually, without bringing about any material advantage, as I do not believe to-day a cut in price would stimulate the business to any extent.

On December 18, 1923, Mr. Bell replied to Mr. Stern's letter of December 12, as follows:

On my return this morning I find your good letter of December 12. I assure you it was indeed a pleasure to see you here and I am only sorry that too many engagements of the Northwestern Miller prevented us from extending some courtesies which would have given us added enjoyment.

As to the meeting with the southern Minnesota mills, I am glad to have you speak so encouragingly of it and I hope it was productive of good results. There are always those who will depart from the ways of good commercial practices. That is to be expected, and we can only trust that experience alone will teach some of these fellows the necessity of different methods.

I quite agree with you it would be advisable to get together frequently. I have been turning over in my mind a new idea of a millers' service bureau which could deal with factors that go to make price and not the prices themselves; in other words, something that would help us to speak a common language, which we do not do to-day.

We are still maintaining the policy I outlined before the meeting. It is difficult during times of light sales to withstand the pressure that comes from one's sales department. They are always confident the business is passing to competitors and feel a lower price would stimulate sales. However, even in the face of apparently declining sales, we have maintained a rigid policy as to making a profit on all orders, and I intend to see this through. It is just a question now of being able to keep one's nerve and I assure you I have not lost mine.

With kindest personal regards and best wishes for the season, I remain.

On December 19, 1923, Mr. Stern replied to the above letter, as follows:

Thank you very much for your kind letter of December 18, which is much appreciated. I naturally was particularly interested with your writing that you were turning over in your mind a new idea of a millers' service bureau, and I trust that when you have this sufficiently formulated that I will hear further from you regarding the same.

May I permit myself to urge strongly that you personally attend the meeting of the Millers' National Federation to be held in Chicago on January 15, which, as I understand it, is called specifically for the purpose of seeing as to how things can be improved in a general way in the milling industry.

It is exceedingly encouraging to have you write that even in the face of declining sales you are going to maintain a rigid policy as to making a profit on all orders.

I want to say in all sincerity that you have the ability and the prestige to be a leader in our industry toward better things.

With very kindest personal regards and best wishes for the coming holidays, I remain.

In reply to Mr. Stern's letter of December 13, 1923, referred to on page 356, W. L. Harvey, of the International Milling Co., Minneapolis, Minn., wrote on December 18, 1923, as follows:

I am glad to have your letter of the 13th and to know that you feel there has been a decided improvement in prices asked for flour relative to cost. So far as we are concerned, we have done little or no business since the 1st of December and have had so few chances to do business that it seems right now price cuts very little figure. Whether, when there is some renewed interest in flour, the mills generally will hold to their good resolutions remains, of course, to be seen. There is no doubt that in the long run a basic industry such as ours is bound to be conducted at a profit for the group, whatever may be the experience of individual members of the group. The one encouraging feature in the situation is that the two biggest factors in the milling business express themselves as disposed to hold for better prices.

We do not feel discouraged at the outlook.

In reply to Mr. Stern's letter of December 13, 1923, W. H. Sudduth, vice president of the Commander Mills Co., Minneapolis, Minn., wrote on December 15, 1923, in part, as follows:

I am pleased to acknowledge receipt of your letter of December 13 and I am sorry to be obliged to admit, however, that our experience so far has not been just the same as yours.

It is true that our salesmen report that our prices are in line on an average, but every day sales are made way under our prices, and we have lost considerable business in the last 30 days. We have been forced to make some sales in order to hold desirable accounts, and these sales have been made on a lower basis in the last two or three weeks than sales we made to the same class of trade earlier in the fall. We have done very little business, but what we have done, I think, has

averaged lower than it would have previous to our meeting. We, however, are not at all discouraged and believe as you do that there is a vast amount of good to be gained from fairly frequent meetings of the millers.

We attribute present conditions to the fact that everyone is short shipping instructions and is trying very hard to keep the mills running. The unfortunate part of the whole proposition, as I look at it, is the fact that most of our competition is among our own southern Minnesota mills. We do not hear very much about Washburn-Crosby Co., Pillsbury, or Consolidated, but we hear a whole lot about a number of the southern Minnesota mills. I presume the other southern Minnesota mills hear about us.

In reply to Mr. Stern's letter of December 13, Everett, Aughenbaugh & Co., Waseca, Minn., wrote on December 17, 1923, in part, as follows:

Upon my return this morning I find your esteemed favor of the 13th. I quite agree with you that meetings such as the one to which you refer are not only enjoyable but very beneficial, although it seems strange that such meetings are necessary to bolster up "the other fellow," as we are all pleased to term it.

From what I have learned from chin with the sales department this morning I am afraid that I can not consistently say that we have observed any particular improvement in the general situation, although we are rather inclined to believe we can see an improvement in prices in a few of the worst spots. I am trying to be good, but I am frank to confess that when our accounts were attacked so hard by trade pirates three years ago I decided to fight; we just simply rolled up our sleeves and went at it and it is desperately hard to stop. You know, Major, it is human nature to enjoy a good fight, especially if a person is on the winning side and making a little money beside.

Business seems to have become more stagnant during the past two weeks than any conditions this company has experienced for a long time. In fact, during this period the attention of our men has been turned to securing shipping directions rather than new business, and the results are about as satisfactory as going to the superintendent of the poor house and asking him for a million-dollar loan.

I have not read the articles to which you refer but have the last five issues of the Northwestern Miller and some of the other trade papers piled up on the corner of my desk for perusal within the next day or two.

Hasn't Mr. Husband scheduled a federation get together for January 15? I do not know to just what degree these big meetings are effective but I do believe that a small gathering of millers now and then is highly beneficial as well as pleasant.

In his annual report dated April 15, 1924, A. P. Husband, secretary of the Millers' National Federation, thus describes the effects of the cost and profit discussions at the federation meetings of October 12, 1923, and January 15, 1924:

The semiannual meeting on October 12, 1923, was unusual in its character in that there appeared to crystallize at that meeting a sentiment that it was foolish for millers to continue longer the practice of selling flour at or below cost. There was a frank exchange of experiences, a number of millers confessing to their share in creating the condition which existed in the trade. However, there seemed to be a feeling that it was time to call a halt, and a number of those present left the meeting with the determination that they would sell no flour that did not show cost and a reasonable profit.

A somewhat similar meeting was held at Hotel La Salle, Chicago, on January 15, 1924. No program was prepared for this meeting, no committees appointed, and no resolutions passed, but it developed into an experience meeting in which many millers recited their experiences under methods of operation as suggested at the October meeting of accepting no orders that did not show cost of manufacture and a profit.

It is generally agreed among the trade that the beneficial effects of these two meetings were far-reaching; smaller groups of millers have met several times since these meetings were held and the same general sentiment prevailed throughout these local or sectional meetings. As a result there is no doubt a better trade condition now than existed six months ago.

The interest in the agreement to sell no flour except at a profit, and thus to affect prices, was not confined to the northwestern millers. On January 23, 1924, the executive committee of the New York State Millers' Association, Buffalo, N. Y., sent out the following:

SPECIAL LETTER

To New York State mills:

It is generally accepted as a fact that the milling business has been more badly demoralized during the last two or three years than at any time in the last quarter of a century.

There has existed, possibly to a greater extent than ever before, a general policy of unreasonable price cutting.

The principal subject to be discussed at the meeting of January 29 is to see whether these conditions can not be improved.

Your presence is wanted. You can help to improve these conditions.

If you have not already advised that you will be there, will you not please do so by return mail?

In a circular to members dated February 7, 1924, regarding the meeting on January 29, Fred E. Pond, secretary of the New York State Millers' Association, reported the following regarding not selling except at a profit:

Later on the report of the federation meeting of January 15 was taken up by Mr. Lingham and discussed by paragraphs, etc., and emphasis was laid on the necessity of millers adhering to a determination to sell no flour that did not show a profit over cost of production and selling.

It was pleasing to note the keen interest displayed by the members by their participating in a general discussion on the milling conditions as they exist at this time. Many points were brought out showing lack of consideration of important factors entering into the real cost of production and operation of sales departments which, if taken into consideration would tend to a greater uniformity in the sale of flour. While it is the right of every person to dispose of his product upon any basis he may see fit, it must at the same time be recognized and admitted that he is entitled to a fair profit over and above all items of cost including a reasonable allowance for his own services.

It was brought out very forcibly that if these conditions were reasonably complied with the milling industry would be in a healthier condition than it is at the present time.

In order that you may have a schedule showing the different factors which you are entitled to consider in determining a proper cost for your flour, we are inclosing herewith a schedule as approved by the Federal Trade Commission and referred to in Mr. Husband's remarks.

The statement in the last paragraph quoted above is explained in Mr. Pond's circular of February 7, 1924, as follows:

As indicated in the call for the meeting, many of the mills realized the need of examining into the basis of their individual operations, looking toward a renewed activity in the milling industry and Mr. Fred J. Lingham was called upon to speak on the necessity of millers knowing their cost of manufacture under operating conditions as they are at present, not as they were at some time in the past. He reviewed a number of items which he stated should be considered and stated many millers failed to consider them, and he indorsed a suggestion offered at the federation meeting at Chicago on January 15, 1924, that a committee be organized to interest millers in the subject of cost accounting.

Mr A. P. Husband, secretary Miller's National Federation, Chicago, in referring to Mr. Lingham's remarks, stated that a few years ago a committee of successful millers had been appointed by the federation for this purpose, and that this committee had drafted a diagram of items that should be considered by all millers in arriving at the actual selling cost of a barrel of flour. This diagram was submitted to the Federal Trade commission and pronounced as "sound" by the accountants for the commission.

On February 18, 1924, E. D. Lysle, of the J. C. Lysle Milling Co., Leavenworth, Kans., wrote F. B. Stevens, secretary of the Kansas Millers' Club, Wichita, Kans., in part as follows:

Mr. Bell, of the Washburn-Crosby Co., announced at a recent meeting in Chicago that his company would not sell any flour at a loss, irrespective of what others are doing. The little mills have always feared the competition of the big mills, and now when the head of the largest milling company in this country announces publicly that Washburn-Crosby will no longer book flour at an actual loss, then it seems high time for we little fellows to follow this example.

We therefore strongly recommend that all millers' clubs adopt the slogan "No sales at a loss" and bend their utmost efforts to put this policy into operation.

The various meetings of millers during the fall of 1923 and the early part of 1924 to discuss selling at a profit and other trade matters resulted in the following comment by the New York correspondent in the Northwestern Miller of February 13, 1924:

Even in the face of few sales, mills have been holding firm especially in the Northwest, whence very few cut prices were quoted. It was felt through the trade here that a number of northwestern and Wisconsin mills are in conference, resulting in their quoting identical prices for flour. This has caused considerable comment, as buyers feel that these prices are too high and are unwilling to purchase while this combination is in force. Some of these brands are not at all well known, so it is felt that the attempt to rate them as high as well-established ones is foolish.

In the Southwest one or two mills were able to make prices that apparently were reached by dividing the output by mortgage, adding the number of employees, and subtracting the date of the President's birthday. They were certainly not consistent with the price of wheat and operating expenses and, the flour being of fair quality, they harmed legitimate business.

Objections to the above article were raised by B. B. Sheffield, president of the Commander Mill Co., Minneapolis, Minn., in the following letter written on February 28, 1924, to W. C. Nichols, vice president of the Northwestern Miller, Minneapolis, Minn.:

I am quite willing to admit that the Northwestern Miller is one of the "newsiest" sheets in existence but I am hoping that it will investigate reports before putting out as practically a fact information that is certainly injurious to the flour trade.

I do not know of any "collusion" of mills on flour prices and I do not know that millers have ever gotten together with a view to establishing prices on flour.

This article that I inclose reads:

"This has caused considerable comment, as buyers feel that these prices are too high and are unwilling to purchase while this combination is in force. Some of these brands are not at all well known, so it is felt that the attempt to rate them as high as well established ones is foolish."

I do not think that this is a very serious matter but I think that the Northwestern Miller should avoid any intimation that the millers get together for any purpose whatever. I presume this rumor started by the fact that the millers got together, just as we did the other day, but there was no attempt to make any fixed price on flour or to do anything except to open the eyes of some of the millers who do not figure cost and are quoting flour way beyond reason. There was not a word said at that meeting about price fixing. There never will be any price fixing by millers. It is simply out of the question, but the few lines in your good paper goes further toward making the flour buyers think there is a "combination" than anything else that could be done.

That Mr. Sheffield's letter of February 28, 1924, quoted above, was self-serving, is indicated by the following paragraph from a letter of February 29, 1924, written by J. M. Quilty, secretary of the St. Paul Milling Co., St. Paul, Minn., to G. M. Palmer, president of the Hubbard Milling Co., Mankato, Minn.:

I was unable to be at the meeting last Tuesday as I was recuperating from a recent minor operation, but our Mr. Kelm was there. He reports it was a mighty fine meeting. He was particularly impressed with the apparent sincerity of the

big fellows to secure better prices and handle their trade on a more businesslike basis in future. Perhaps better times are in store for spring wheat millers generally.

And in replying to the above on March 1, 1924, Mr. Palmer wrote:

I was sorry you were not present in person and also sorry I did not have an opportunity of meeting Mr. Kelm, as there were one or two matters that I wanted to take up with you people. I took up my two sales managers but neither of them met Mr. Kelm.

The meeting was certainly an encouragement to everyone present and I am much in hope something will develop that will be of benefit. Of course, when one is deathly sick it takes a long time to recuperate and I am not looking for any immediate change in the business but I certainly believe the meeting was well worth while and that we shall see some benefits from it in the not distant future. If we can come together occasionally and talk matters over it seems to me that it would result in real benefit.

On the same day Mr. Palmer wrote to H. H. King, of Minneapolis, Minn., regarding this same meeting, as follows:

I am getting some rather interesting letters from different millers in regard to the meeting held last week and apparently there is very great interest in it.

* * * * * * *

I was told by one of the big men who seems to have gotten on to it in some way that Mr. Lund, of the Atkinson Milling Co., was sitting right behind Mr. Wright of Menominee who spoke about some mill [illegible word] practice of sending out very low quotations all over the territory. This man says that Mr. Wright held in his hand a letter of the Atkinson Milling Co., and as Mr. Lund was sitting immediately behind him he could probably notice just what he had in his hand and what he referred to and that immediately Mr. Lund got up and went out. I know that he went out but did not know it had anything to do with what Mr. Wright had said.

The Atkinson Milling Co. has the reputation of being the worst cutters in the business. Do you suppose any influence can be brot [brought] to bear upon that concern to refrain from making such prices and of broadcasting their quotations everywhere? The St. Paul Milling Co. has been pretty bad themselves but this gives us a change [chance] to take the matter up with them and possibly it may do some good.

On the same day Mr. Palmer also wrote to the L. G. Campbell Milling Co., Blooming Prairie, Minn., regarding this meeting as follows:

We think we can notice a disposition on the part of millers to adhere to better business policies and firmer prices. The meeting in Minneapolis this week, we believe, was a step in the right direction and we are hopeful that there may be cooperation between millers and a discontinuance of some of the practices that have helped to demoralize the industry.

C. T. Vandenover, secretary of the Northwest Spring Wheat Millers' Club, sent out a letter to members under date of August 14, 1924, in which he directed their attention to an article in the Northwestern Miller of August 13 (p. 627). entitled "Selling themselves out of business." He said:

There appears in this article a clear conception of conditions existing at the present time and the outlook for the future if the mills conduct their business along sound lines. Surely every miller should take the opportunity to read this article and take inventory of the conditions cited.

Two paragraphs from this article which the millers were urged to read are here quoted:

This is the time of year, at the beginning of the new crop, when millers need to be watchful and on guard against certain bad practices which may vitiate or ruin the business of the entire crop. It does not now seem likely that there will be any repetition of last year's experience, when a large volume of flour was sold for deferred delivery at prices which showed a loss or, at best, no profit. But

nobody can tell what may happen, and if there should be a bad break in the market there would be the utmost need for millers to hold steady and not lose their heads.

* * * * * * *

Lastly, a new spirit has come over the industry. This change in spirit and purpose had already made headway and was taking definite form before the economic and crop situation developed which should be so favorable to its further growth. The most definite manifestation of this change finds expression in the determination to run the business on sound lines and at a profit.

Mr. Sydney Anderson, president of the Millers' National Federation, in an address delivered at a dinner of the federation in Chicago on October 8, 1924, stated in regard to the activities of the federation:

The ultimate purpose of all our activities is to bring about in the industry a condition where every miller in the United States can demand and secure a reasonable profit on every barrel of flour manufactured and sold.

F. D. Stevens, secretary Kansas Millers' Club, Wichita, Kans., stated to an agent of the commission in December, 1924, that the purpose of the millers' clubs and groups was to get the millers to demand and get better prices. The millers are urged to study their costs and to add 25 cents per barrel, which was the profit allowed by the Food Administration during the war.

Referring to the millers' group meetings, D. S. Jackman, treasurer, and R. W. Magill, secretary, Kansas Milling Co., Wichita, Kans., stated to an agent of the commission in February, 1925, that at these meetings they talk over the millers' troubles and try to get them all to agree not to sell below cost; that is, to "agree each one with himself not to sell below his cost."

Section 5. Agreements, understandings, or cooperation to exchange information on prices.

The exchange of information on prices of flour was carried on through many of the millers' associations prior to the time this matter was taken up by the Millers' National Federation at its meeting of October 12, 1923, at Chicago, Ill. But the systematic exchange of price information between the milling companies themselves, especially the checking up of alleged low prices, dates largely from the impetus given at the federation meeting referred to above.

In announcing this meeting in a circular issued October 1, 1923, A. P. Husband, secretary of the Millers' National Federation, stated:

The semiannual meeting of the federation will be held in east room of Hotel La Salle, Chicago, on Friday, October 12, 1923, beginning promptly at 10 a. m.

All members of the federation are urged to attend this meeting which is called for the purpose of having a frank discussion of the present unsatisfactory conditions in the industry and plans that may be proposed for improving these conditions.

The present difficulties are not confined to any one locality or to any particular class of mills; all are affected alike. It is hoped that out of this meeting will come practical suggestions for improvement in trade conditions, and you owe it to yourself and the industry to attend and participate in the discussions, to speak frankly as one miller to another, and to offer plans for improving conditions. Decide now that you will attend and make your plans accordingly.

The printed report of the federation meeting of October 12, 1923, summarizes the discussion on prices as follows:

That the remedy for existing conditions is in the hands of each individual miller, beginning with an immediate return to sound ethical business methods.

That sales managers be instructed that the successful operation of the business is based upon sales showing a profit over cost of production and selling, and not on percentage of mill operation.

That sales managers be informed that in the future the term "counter offer" is obsolete.

That mill managers "budget" both their sales and cost of production and selling; and that having arrived at the cost of producing and selling such amounts of flour as they can reasonably depend upon, the cost of producing and selling be computed on a barrel basis and that figure used in determining the selling price.

That having established a selling price, it should be maintained, and sales managers held to account for its being maintained.

That millers should have faith in each other, and instead of accepting unconditionally reports as to selling prices and terms have them verified by telegraphing or telephoning to, and trying to ascertain facts from, the one accused of uncommercial practice.

The report containing the above-quoted paragraph was sent out by the secretary to the more than 1,200 members of the federation on October 25, 1923, under a covering circular letter reading in part as follows:

There is inclosed herewith a copy of report of proceedings of the semiannual meeting of the federation, held at Chicago on Friday, October 12, 1923. Practically the entire sessions were devoted to a discussion of present unsatisfactory conditions in the milling industry and suggestions for improving these conditions. It was a "family gathering" and those who addressed the meeting were unusually frank in their statements regarding conditions and the causes for same. The discussions are not printed, but the suggestions made are printed in brief paragraphs; we urge every miller to read them carefully and after familiarizing himself with the suggestions made for improvement to put them into practice now in his business.

In connection with an exchange of price information, Walter Stern, president of Bernhard Stern & Sons, Milwaukee, Wis., wrote to F. J. Allen, general manager of the Bay State Milling Co., Winona, Minn., on October 18, 1923, in part as follows:

Following up the impressions that we received at the Chicago meeting, I am satisfied that it is strictly up to the millers to improve their own individual returns in the way of prices secured.

In replying, on October 22, 1923, Mr. Allen wrote in part, as follows:

Judging from some of the prices that have been reported to us by our eastern sales agents, the Chicago meeting apparently did but little good. Our Pittsburgh man has been pounding us very hard to book our Standard Baker's Patent at $6.60. We have turned the business down. Several buyers have made firm offers at this price. We have the offers, but have not accepted them. These buyers have in turn told other salesmen that we are selling at $6.60 and then our competitors' salesmen report the $6.60 price to their mills. This morning we have a letter from our Pittsburgh man, advising that "Daniel Webster" sold in Pittsburgh at $6.15, jute. We do not believe it.

* * * The writer was in Minneapolis a couple of days last week, and the few millers he talked with did not seem to be going out of their way to get high prices. The Chicago meeting was a good one, but when you stop to consider it, quite a few millers were not represented, and particularly the larger ones—Pillsbury, W. C. Co. Our Milwaukee man writes us that "Pillsbury's XXXX Best" sold in Milwaukee on the 17th at $6.20 bulk warehouse delivery, and that they allowed 35 cents per barrel for buyer's sacks.

On October 24, 1923, Mr. Stern replied in part, as follows:

The writer is under the belief that considerable can be done by the millers themselves in improving general conditions in the industry by occasionally writing some brother miller inquiring as to the truth of a reported low price quotation or sale. We are doing this from time to time, and find that it has its advantages.

We are not making very large sales, and do not regret this circumstance, in view of the fact that what sales we do make are on a pretty fair basis. We are holding firm for our so-called 95 per cent patent on the basis of $5.75 bulk Minneapolis, and while we are just as you are, turning down business at a lower price, we think it is most advantageous to do this in our interest. On the whole, we

are under the impression that outside of the big markets, and perhaps sales to the very largest buyers, prices are on a better basis relative to cost than in the recent past.

On December 19, 1923, J. M. Quilty, sales manager of the St. Paul Milling Co., St. Paul, Minn., wrote to G. M. Palmer, president of the Hubbard Milling Co., Mankato, Minn., regarding prices, and also the formation of a proposed northwestern association. The final paragraph of the letter was as follows:

Pending the formation of the proposed northwestern association, we will be most happy to exchange price information with you at any and all times.

On December 20 Mr. Palmer replied to the above letter as follows:

I have noted your favor of the 19th with much interest. I am considering the matter of calling a meeting of spring-wheat millers in order to talk over the abuses and unbusinesslike conduct that has become quite prevalent in our industry. I have no thought of anything in the line of price-fixing but there are many abuses which have grown up that ought not to be tolerated and if we could get together and get acquainted with one another and have a little confidence in one another I believe it would be a fine thing for the industry. I do not know as yet whether such a meeting will be called or not but if it is you will, of course, receive notice in due time.

In the meantime I believe it would be a mighty fine thing if every one felt free to consult with other millers in regard to alleged prices, etc., and we frequently find that misstatements are made as to what prices are being made by competitors.

On December 28, 1923, Walter Stern, president of Bernhard Stern & Sons, Milwaukee, Wis., wrote in part as follows to H. M. Meech, president of the Red Wing Milling Co., Red Wing, Minn., regarding exchange of price information:

Our sales manager, to whom I showed your letter, said that "if Mr. Meech were here, I would like to tell him in the most courteous manner as I could so that he would not misunderstand me, that Red Wing Special in New Castle is sold speaking generally, unnecessarily low, which makes it very difficult for us to secure a proper price for our 'Atlas Fancy Flour' from our jobber, who has so frequently complained that on account of the low price at which Red Wing Special was being sold, that he could not pay our price on 'Atlas'. * * * I feel confident, therefore, that you will agree with me that an exchange of information from time to time in this way will be helpful and constructive, and at the same time by no means detrimental to our representatives or our customers.

Will you be kind enough to return the inclosure for our files.

It is well in all cases to go right to headquarters to get correct information, as the best of us are apt to be misled unless we do so—I wonder whether Ceresota is actually being jobbed at $7 and whether the jobber really bought the same at $6.25. While naturally we are very proud of the standing of "Atlas Fancy Flour," there is a limit as to the price that we can secure for the same. And perhaps it would be interesting for you to ascertain as to whether the information regarding Ceresota is correct. If you do seek any information in that regard it would be appreciated by us if you would advise us accordingly.

On December 31, 1923, Mr. Meech replied as follows:

Your letter of the 28th certainly made us feel good and proves to us that the information which our salesman sent along is far from being true. It looks to us as if our jobber was trying to beat us down in our price by furnishing such information. We are returning the salesman's report and hope you will feel free to call upon is at any time when you are making similar investigations.

You asked us to report in regard to the reply from the Ceresota mill. They advised us that they, of course, know nothing about what their flour was being resold at but they would dispute the statement as to their selling their jobber at $6.25 per barrel. They stated that they had sold all the way from $6.70 to $7, the former figure was the lowest that they had made in any flour booked to this party on this crop.

We are sorry that your sales manager feels that our jobber is a bad competitor at that point and we fully realize he is a hard man for us to manage and try and

make him maintain his price. We try to do this by holding our price up and are endeavoring to instill a little confidence. We will do our best to educate him to avoid making any unnecessary low figures.

The Ceresota flour mentioned above is manufactured by the Northwestern Consolidated Milling Co., Minneapolis, Minn.

A second meeting of millers was called by the Millers' National Federation for January 15, 1924. In referring to this meeting a circular dated December 27, 1923, and signed by A. P. Husband, secretary stated:

There will be another "experience meeting" of members of the federation in the east room, Hotel LaSalle, Chicago, on Tuesday, January 15, 1924. No doubt some of those who attended the October meeting will be prepared to tell by that time the results of carrying out suggestions made at that meeting. We are sure that every miller will get enough encouragement from this meeting to pay him for coming. No reports, no committees, no program; just an opportunity for millers to frankly exchange views in a helpful way. Come.

The meeting was held on January 15, 1924, and in reporting what occurred Secretary Husband made the following statements in a circular dated January 18, 1924:

The necessity of injecting some "backbone" into the milling industry at once was the burden of numerous statements by millers at the meeting called by the federation and held at Hotel LaSalle, Chicago, on Tuesday, January 15, 1924. It was repeatedly stated that much good had resulted from the meeting on October 12, 1923, but that millers individually must be brought to a realization that the present situation in the industry is of their own making, and that the remedy is in their own hands.

* * * * * * *

Several suggestions were made during the course of the meeting that should have the attention of millers. They are:

1. That millers lack faith in each other, and accept as facts statements made by salesmen, brokers, and buyers as to ridiculous prices and terms made by other millers. Investigation has shown that most of these reports are lies, told for the purpose of "bearing" the price of the miller to whom such reports are made. Conduct a few experiments by telephoning or wiring the other miller, and see if we are not correct in this.

* * * * * * *

It may be all summed up in a few terse statements: "Figure your cost of production and selling on the basis of your actual present operation (probably 50 per cent), and current market prices for wheat, sacks, and other supplies; name your prices accordingly and insist on getting those prices, refusing to consider so-called counter offers regardless of who submits them."

The above-described meeting of January 15, 1924, was attended by James F. Bell, vice president of Washburn Crosby Co., Minneapolis, Minn., and by A. C. Loring, president of the Pillsbury Flour Mills Co., Minneapolis, Minn., neither of whom had attended the federation meeting on October 12, 1923.

On February 12, 1924, W. H. Cahill, sales manager of Bernhard Stern & Sons, Milwaukee, Wis., wrote to James F. Bell, vice president of the Washburn Crosby Co., regarding a reported sale of Washburn Crosby's Gold Medal flour to a baker at St. Charles, Mich., at a price 55 cents per barrel less than Bernhard Stern & Sons had quoted the same baker on Spearhead flour. The final paragraph of Mr. Cahill's letter was as follows:

We would appreciate very much indeed your advising us as to the correctness of the information received from our salesman if you care to do so. We are seeking this information in line with the privilege which you were kind enough to grant your competitors at recent meetings of millers to check up with you on information concerning your prices.

Whether Mr. Bell answered the above letter is not known.

On January 30, 1924, H. H. King, president of H. H. King Flour Mills Co., Minneapolis, Minn., wrote to H. R. Harmer, of the Hubbard Milling Co., Mankato, Minn., regarding a sale made to a baker at $6.50 bulk, the final paragraph of the letter being as follows:

> We are very glad to hear from you in this way and certainly will be glad to cooperate with you on this price question. We think the buyers are lying to us unmercifully and that our salesmen are believing them.

There had been some exchange of price information among southwestern millers during 1923, even before the Chicago meeting of October 12, 1923, but during 1924 this exchange became more systematic.

On February 15, 1924, John W. Cain, of the Midland Flour Milling Co., Kansas City, Mo., wrote to Ralph Sowden, of the New Era Milling Co., Arkansas City, Kans., regarding a low price to the Schmidt Bakery, Harrisburg, Pa., reported as having been made on a New Era Milling Co. brand of flour. The concluding part of this letter is as follows:

> It is not my intention to be inquisitive, but inasmuch as millers are generally trying to better things and inasmuch as it is of the highest importance that our salesmen be impressed with the fact that the information they pass to the mill must be reliable, I am wondering if you would mind telling me whether or not the dope I have received is correct.
>
> Our regular price in that territory on 95 per cent is $6.60, jute, Philadelphia rate, and I do not mind saying that we have done very nice business this week with bakers at that price. We also booked short patent flour in fairly good sized lots to bakers this week at $6.85 bulk, New York rate, with 15 cents commission included. These sales, however, were not in New York City, but they were in lots of 2,000 barrels or more.
>
> I can assure you that any time you want any information from us we will be glad to cooperate with you by giving it to you, and I hope you will not think I am overly inquisitive when I write you the sort of a letter that I have herewith.

In replying to the above on February 18, 1924, the New Era Milling Co. wrote in part as follows:

> We have your letter of February 15 and regret to inform you that we have made no sales to the Schmidt Baking Co., of Harrisburg, Pa., since January 1, and we do not know how you secure any such information as was mentioned in your letter regarding the sale of Polar Bear to these people.
>
> We have an agent in Harrisburg who has been handling our account for several years past, who bought considerable Polar Bear when the new crop started to move at a price considerably under present quotations, and it is just possible that this flour has been offered the Schmidt Bakery recently at a price such as you mention.

Mr. Cain, of the Midland Flour Milling Co., replied to the above on February 21, 1924, in part as follows:

> Thank you very much for your favor of February 18 regarding the Harrisburg situation. This is evidently one of the cases where long-time shipments operate against the welfare of the millers, for we would judge that probably your Harrisburg jobber must have bought for season shipment, or else he bought for three or four months delivery and is carrying the stuff along, as so often happens. The dope that we had on this was that Schmidt Bakery had bought from you for shipment up to July 1.
>
> We certainly appreciate your letter and we want to say that if at any time you have anything you would like to take up with us, we would be very glad to hear from you and we will answer you as frankly as possible. It will certainly pay the millers to work together in trying to better conditions. We want to assure you that we will cooperate with you at any time toward accomplishing this end.

On March 7, 1924, Charles M. Todd, secretary of the H. D. Lee Flour Mills Co., Salina, Kans., wrote to the New Era Milling Co., Arkansas City, Kans., regarding a complaint from a New Orleans broker that Polar Bear flour was selling at $5.50 to $5.70 in cotton sacks, and that the H. D. Lee Flour Mills Co. prices were from 50 to 55 cents higher than quotations by other reliable mills. Continuing, Mr. Todd wrote:

> So much misinformation has been circulated during the last several months that we do not believe that you made any such quotation there and feel that somebody has made a mistake somewhere. We are under the impression that you are one of the mills that gets good prices for its products. It is not our desire to pry into your affairs, but we feel that if our broker has given us the wrong information you would be glad of an opportunity to correct it.
>
> A near-by mill wrote us the other day regarding a sale we had made in the East, which was reported to them at a certain figure; the fact was that the sale was made at 20 cents per barrel higher than reported and we were glad to so advise them. We are convinced that if the mills would check up these low-price reports by brokers, salesmen, etc., that they would find a lot of it simply propaganda to beat prices down and keep them at a less-than-cost basis.

Answering the above letter on March 10, 1924, the New Era Milling Co., wrote:

> The flour referred to by your New Orleans broker is undoubtedly flour that is being offered from old stock. Our agents there had an old contract and probably figured that they would try to move it at a price. This is only an instance of our making a long-time contract, which we all know is a bad practice.
>
> You are not prying into our affairs at all in writing us concerning conditions as you find them on the territory, as it is only by the exchange of such information that the industry as a whole will be benefited.
>
> Our price at New Orleans is $6.10, but our volume of business amounts to very little there. With the market on mill feed declining, flour prices will have to be advanced unless we get a radical decline in wheat.

On April 11, 1924, C. L. Beckenbach, of the Rodney Milling Co., Kansas City, Mo., wrote to the New Era Milling Co., Arkansas City, Kans., regarding a plan for exchanging prices. The letter is as follows:

> A few days ago, several millers were discussing the misinformation that comes to us in regard to prices, etc. In times past, this information was treated as correct, and after having acted on it, was found to be without foundation so many times that it is expedient that some steps be taken to eliminate as much as possible a recurrence.
>
> A few millers of late have written direct to a miller who was reported to be quoting cheap prices, and in most cases, have found that the mill was being misquoted. This has happened so often that the suggestion has been made that if a group of millers would write each mill that was reported to be cutting prices, in order that a fictitious price would be proven false before it harmed anyone, it would prove beneficial.
>
> The thought is that if a miller was really cutting prices, he would stop it as soon as he found that it was public knowledge. If, however, the price that he was reported having quoted in a certain market was false, we would be set right at once, thus eliminating a very detrimental factor.
>
> At a meeting the other day, a list of mills was picked at random, as per inclosed list. Some of the mills thereon already have consented to cooperate. The idea is that whenever one of the mills on the inclosed list meets up with or hears of a low price, to immediately write the mill in question for verification, and to send a copy of the letter to the balance of the mills as listed, who would take this as a signal to write the miller as though the information came from a representative. The psychological effect is going to be good, and we believe will practically eliminate less than cost prices, which have been a nightmare for so long.
>
> Wont you please tell us whether or not this appeals to you, and if you will lend your cooperation.

A list of 14 milling companies was attached to the letter. On April 12, 1924, the New Era Milling Co. replied as follows:

This morning's mail brings your letter of the 11th with the suggestion that we might help conditions if a group of millers would write each miller that was reported to be cutting prices. The plan, I believe, would tend to help eliminate the less-than-cost prices and we will be glad to cooperate with you in helping to make it workable.

The Rodney Milling Co., on April 23, 1924, again wrote to the New Era Milling Co. as follows:

The inclosed list of mills have expressed themselves as willing to cooperate with us in running down fictitious prices and information.

It seems that most mills are adhering to a sensible business plan, and that is either get cost for their flour or not sell. We haven't heard of very many cheap prices and most of them were found to be fictitious.

We believe that all of this erroneous and false information can be eliminated if we will take the time and run it down.

If there is any way that we can cooperate with you, please feel free to call on us, and whenever you hear of a cheap price, pass the information along.

The list of mills referred to in the above letter as having "expressed themselves as willing to cooperate with us in running down fictitious prices and information" consisted of 10 companies as follows:

Red Star Milling Co., Wichita, Kans.
Wm. Kelly Milling Co., Hutchinson, Kans.
New Era Milling Co., Arkansas City, Kans.
The Southwestern Milling Co. (Inc.), Kansas City, Mo.
Ismert-Hincke Milling Co., Kansas City, Mo.
Midland Milling Co., Kansas City, Mo.
J. C. Lysle Milling Co., Leavenworth, Kans.
Topeka Flour Mills Co., Topeka, Kans.
Kansas Milling Co., Wichita, Kans.
Robinson Milling Co., Salina, Kans.

In a bulletin to members dated April 26, 1924, J. N. Campbell, secretary of the Nebraska Millers Association, Omaha, Nebr., commented on a recent meeting of southwestern millers at Kansas City, in part as follows:

KANSAS CITY MEETING

The two days sessions of the millers of the Southwest at Kansas City, Tuesday and Wednesday of this week, were well attended and the discussions were very interesting because they dealt with vital subjects of a constructive nature. There is no doubt that those in attendance were much more strongly fortified by the proceedings, in their determination to avoid doing those things which resulted in such utter demoralization to the industry at the beginning of the new crop season last year.

The session Tuesday morning was called by Secretary Stevens, of the Kansas Millers Club. It was devoted entirely to discussion of ways and means of avoiding a repetition of the offenses which provoked the war of prices a year ago.

It is well recognized that there can be no price agreements. Every miller is anxious to do business on a sane basis of getting profits, but there exists great apprehension as to what the other fellow is going to do and the whole situation is on a hairtrigger tension. If a few fellows are foolish enough to start the trouble, disaster will tread on the heels of the industry through another year.

We warn you that some of the flour buyers would like to see the fireworks set off and the stampede of price cutting begin so that they can again proceed to reap a harvest of two profits—the one that belongs to the millers and the one they are entitled to. To precipitate this sort of a war, the unscrupulous buyer does not hesitate to lie and misrepresent things when talking about offers received from other mills.

To forestall this imposition it was agreed that the millers must keep in close touch with each other by all means of ready communication and when low offers are encountered, the thing to do is to call up the mills so reported and verify the report before taking any action in defense.

These lying reports can be readily exposed by this direct method and much confusion avoided.

But understand that this frank way of beating that dirty game presupposes that the millers will be perfectly fair and truthful with each other when talking over these matters, and you can never get anywhere if you are not.

The large mills are most anxious to see a radical change for the better and are taking the lead in the movement.

On May 23, 1924, the J. C. Lysle Milling Co., Leavenworth, Kans., wrote as follows to the Wolf Milling Co., Ellinwood, Kans.:

Our representative advises us that your price on flour is $5.65 jutes New York. As we have had reports of this kind before, and found them to be inaccurate, we hesitated to believe this report. Our price to-day on 95 per cent flour delivered New York is $6.65 jutes and naturally the difference in the price leads us to believe that your price has been misquoted to us.

If consistent with your policy, we would appreciate very much your advising us whether or not the report is correct.

A copy of the above letter was sent by the J. C. Lysle Milling Co. to the New Era Milling Co., Arkansas City, Kans.

On May 28, 1924, John W. Cain, of the Midland Flour Milling Co., Kansas City, Mo., wrote to Charles Roos, of the Hunter Milling Co., Wellington, Kans., regarding a low quotation reported to have been made by the Hunter Milling Co. to the Orr Baking Co., New Castle, Pa. The last paragraph of Mr. Cain's letter was as follows:

I wonder if you would mind writing me about this thing, for if our representative was misinformed, I would like to tell him so. One of the outgrowths of our Tuesday meetings has been a frank exchange of information among all millers and I therefore feel free to write you about this thing and hope that I may hear from you by next mail. If at any time you should ever want to correspond with us about similar matters, would be very glad indeed to hear from you.

During May and June, 1924, frequent group meetings of millers were being held at Kansas City, Mo., Wichita, Kans., Hutchinson, Kans., Salina, Kans., Abilene, Kans., Oklahoma City, Okla., and Omaha, Nebr., but whether actual prices were exchanged or discussed at these meetings does not clearly appear from the information secured by the commission.

On July 23, 1924, the J. C. Lysle Milling Co., Leavenworth, Kans., wrote two letters to the Wichita Mill & Elevator Co., Wichita Falls, Tex., referring to the low prices being quoted by Texas mills, and stating:

We hope the Texas mills will get together and raise their prices to a level that will secure for themselves a legitimate milling profit based upon the daily value of wheat.

On July 24, 1924, the Wichita Mill & Elevator Co. replied as follows:

Replying to your two letters of the 23d since our exchange of wires, we have advanced price to $7.80 for short patent and $7.30 for standard high patent, basis 48's delivered Texas common points which exclude Group 3. To jobbers we allow commission of 20 cents per barrel with 10 cents per barrel discount for cash. The price to the retalier is net 30 days or less 10 cents per barrel for cash.

We were quite fortunate indeed in this territory to have a good supply of red mixed wheat at our mill door which we have bought freely at export prices. To-day we are paying $1.05 to our farmers for red mixed wheat or equal to $1.22 Group 3. Wheat bought from dealers, however, is considerably higher.

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I agree with you that we are too low in Texas, at the same time there is a good profit in the business at present prices and competition is severe. I consider that we have done very well during the past few days to get our price up $1 per barrel.

With kindest regards, always glad to exchange information with you.

On July 28, 1924, the J. C. Lysle Milling Co. replied as follows:

Your letter of the 24th addressed to me is both interesting and gratifying. The Texas millers were in a very fortunate position this season, as we see it, for they were able to buy substantial quantities of the new wheat before the big advance in the market was under way. It is hard for us to understand, however, why the majority of them should have voluntarily given away the nice profit, which this must have shown them, to the buyer of flour. We are in hopes that the rest of the Texas millers have followed your very good example in starting to adjust their prices upward in line with replacement values and are wondering if some of them who were freely predicting lower prices for wheat some 60 days ago, and were spreading this sentiment among the trade, have changed their views. Most of the millers in this section of the country feel that the milling prospects for the next 12 months are better than they have been in some years past and we privately feel that the advancing market has been a splendid thing for the millers, as it has prevented many of them from quoting speculative prices on flour and has discouraged the making of long-time contracts.

It has also had the effect of placing the buyer, and not the miller on the defensive and this is being reflected in all of the prices on which transactions have been made by this section.

We hope you will exchange views with us frequently, for the lack of intercourse between millers is, in our opinion largely responsible for the gloomy period from which we now seem to be emerging.

During the last week in July and early in August, 1924, there was an exchange of telegrams and letters between milling companies in Milwaukee, Wis., and Kansas City, Mo., concerning cooperation in getting fair prices. On July 25, 1924, Walter Stern, president of Bernhard Stern & Sons, Milwaukee, Wis., telegraphed J. L. Walker, sales manager of the Larabee Flour Mills Corporation, Kansas City, Mo., as follows:

Being desirous of cooperating with Southwestern mills in getting fair prices, would you be good enough to wire us what you think would be a fair price to be quoted on 95 Kansas bulk Kansas City, giving the range for large volume buyer also single carlot buyer. Will be glad to reciprocate at any time. Kindest personal regards.

On July 26, 1924, Mr. Walker wired the following reply:

Our yesterday's market mills generally quoted large trade basis five seventy-five to five eighty-five bulk Kansas City single car. Buyer six twenty to six thirty ten thousand barrels. Buyer around six dollars to six ten selling cost or brokerage to be added

On the same day Mr. Stern replied to the above wire as follows:

Thank you very much for your prompt and kind response to our telegram, which is highly appreciated.

Without information before us as to what our competitors are doing, and in view of the fact that our sales are very light at the present time, we might be tempted to make lower prices than competitive conditions would justify, and that is the reason we wired you accordingly.

We are keenly desirous of cooperating with mills like yourself, to see that fair prices are sustained for all classes of buyers. If there is anything that you can suggest at any time wherein we can be of service in behalf of the general cause, I trust that you will not fail to let us hear from you. Any information that you can transmit to us from time to time that you think would be helpful, we would thank you very much to send the same on.

On July 29, 1924, Mr. Walker replied to Mr. Stern's letter as follows:

Received your letter of the 26th, acknowledging receipt of our wire to you a few days ago.

I appreciate that you desire to work with the better class of mills this year, and you can depend on us giving you the best information we can at any time. If at any time matters come up that we desire to take up with you, we will wire or phone you relative to them. Want you to feel free to take any matters up with us at any time.

I did not have the pleasure of seeing you at the last meeting in Chicago, but hope to have the pleasure of seeing you at the fall meeting. If at any time you happen to be down in this section, want you to feel at liberty to call and see us at our office at any time.

On July 30, 1924, Mr. Stern wrote to Mr. Walker regarding the recent exchange of prices, and also concerning alleged low prices of flour printed in the Bakers Weekly. Mr. Stern's letter is as follows:

You were good enough recently to respond to our request for information as to prices at which you were holding your flour, which action on your part is deeply appreciated. We are sincerely trying to do our "bit," looking to a greatly improved order of things in the milling industry generally, but particularly are we endeavoring to be in line with those millers who are determined to rigidly adhere to sane, sensible selling policies.

Our attention is attracted at this time to the articles appearing in the Bakers Weekly by Mr. Otis B. Durbin, the same being a review of the market. Mr. Durbin makes a practice of naming figures, supposed to be representative of the prices at which, in his language, "a good grade" of Kansas or Oklahoma hard wheat 95 per cent flour would be worth, bulk, Missouri River. In the issue of July 26 (Mr. Durbin's information is by wire under date of July 23), he gives the range at $5.60 to $5.75 bulk, Missouri River. These prices, we consider, are not representative of what would be accepted by mills, or at which buyers could purchase a dependable 95 per cent flour. Moreover, when anyone attempts to state as to what "a fair price" would be, and quotes figures with a range, for instance, of 15 cents per barrel, there is considerable left unsaid. Therefore, we believe that the information is misleading—not wilfully so, but misleading nevertheless.

We have in mind that the Bakers Weekly has a circulation not only among the large bakers, but likewise a good many very small ones. Flour salesmen, too, read this publication, and doubtless get an entirely wrong notion as to consistent price levels.

On July 29th the writer took this matter up by phone with Mr. Bamford, of Chicago, of the Bakers Weekly staff, and stated that we believed it would be better if Mr. Durbin's articles eliminated references to prices at which flours could be purchased. If you share our belief and would care to take the matter up with Mr. Bamford, no doubt your action would help to eliminate what, to our way of thinking, is an objectionable feature of Mr. Durbin's otherwise very interesting and instructive articles.

We should be very glad to have an expression from you in this regard.

Mr. Walker answered the above letter on August 2, 1924, agreeing with the statements made in Mr. Stern's letter, but suggesting that such a matter might be misconstrued if it came into the hands of the Attorney General's department. This letter of Mr. Walker is as follows:

I agree with you in what you have to say in your letter of July 30, but the price intimated by Mr. Durbin in his article in the Bakers Weekly does not govern the basis of the larger and better class of mills in the Southwest. As I understand it, his quotation is based on the quotation as received from the mills that he represents.

I would be glad to talk to the Bamfords on this subject, but I would not want to put anything in writing to them regarding it. While I know they are friendly to the mills, but the letter may fall in the hands of someone who would misconstrue it and cause a little notoriety. I believe we should be very careful as we can not tell what the Attorney General's department might do in case something like this would fall into his hands.

That the question as to what the Department of Justice might do if acquainted with some of the activities of the millers' associations was agitating others in August, 1924, is shown by the two letters quoted below.

On August 6, 1924, L. H. Pinney, secretary of the Minnesota Millers' Club, Minneapolis, Minn., wrote C. V. Topping, of the Southwestern Millers' League, Kansas City, Mo., as follows:

I am seeking information regarding method of advising your members regarding prices for local territory put out by your club—how obtained and disseminated. I inclose herewith copy of letter I [am] sending to members. The directors make the price and they think, should I be called upon by the Department of Justice to explain, we would be in a predicament. I would be pleased to have a copy of your rules and by-laws. Any suggestions you have to offer would be appreciated. This is confidential.

In March, 1925, L. H. Pinney, secretary of the Minnesota Millers' Club, in answer to a request to explain how the board of directors of the club fixed the prices for members of the club, denied to an agent of the commission that the board of directors or any member or group of members fixed the prices at which their flour should be sold. Mr. Pinney stated that prices were never discussed in any way at the meetings of the club and that the only data issued by him in connection with prices were those contained in his daily bulletins which the members sent in to him, an average of which he compiled and sent to members.

On being requested by the agent to explain what was meant by the following: "The directors make the price and they think, should I be called upon by the Department of Justice to explain, we would be in a predicament." Mr. Pinney at first said he never made or wrote such a statement. Later he recalled that he "had written something like that to the secretary of another association," but that he had no reason whatever for writing such a letter. Mr. Pinney positively refused to make any further explanation of the matter but said he would be perfectly willing to go to Washington and take oath to the fact that the directors did not make the price for the members.

Mr. Pinney was unable to produce a copy of his letter of August 6, 1924, explaining the method used by the board of directors in making prices. He said he had given the same agent access to all his letters, circulars, etc., upon his prior visit in December, 1924, and that if this letter was not in his files at that time he had destroyed it along with his other 1924 records.

When questioned by the agent of the commission as to what milling company furnished the information upon which to base the prices issued in the bulletin of the club, Mr. Pinney denied that any particular mill did so but that the prices he received and later sent out in the bulletin came from all the members of the club and not from any particular one.

On August 8, 1924, Mr. Topping replied to Mr. Pinney's letter of August 6 as follows:

I am in receipt of yours of the 6th and in reply all States in the league territory are handled separately.

Group meetings are held every week and business generally discussed. Where your business is confined strictly to your Minneapolis Club, I would suggest—

and it is working very satisfactory in other States—that you take a representative mill, say Pillsbury Flour Mills, in Minneapolis, and use their quotations as a basis. Let them advise you of the changes and you send this information to the members of your club. Use blank stationery, and I would not put any name to the quotations; just let it appear as a regular market letter.

This can be understood among your members and there need be nothing attached to it that would in any way involve anybody.

I think you would have considerable of a task to convince the Department of Justice of your innocence.

One of the very important features is as little information in writing as possible.

During the same month there was also reference to the advisability of the millers' associations remaining "rather inactive, until the Federal Trade Commission completes its work." On August 30, 1924, J. B. McLemore, secretary of the Southeastern Millers' Association, Nashville, Tenn., wrote to Frank H. Tanner, secretary of the Ohio Millers' State Association, Columbus, Ohio, as follows:

For the last two months I have been smothered with so much work I have not had a chance to think about the Association of Secretaries. I haven't done anything.

I shall be in St. Louis next week, and at that time will get in touch with Mr. D. L. Boyer and see if we can not work up something worth while.

As a matter of fact, entirely too much publicity was given to this move, and the Federal Trade Commission started an investigation of it. I had a letter from one of my friends in Washington commenting on it. In my judgment we should remain rather inactive, until the Federal Trade Commission completes its work. They know that we are not doing anything at all now, but if we started something we might be in for a lot of unwelcome publicity.

The above letter was in answer to a letter from Mr. Tanner, dated August 28, 1924, in which Mr. Tanner had written Mr. McLemore as follows:

Under date December 16, 1922, I wrote you inclosing a letter from the Piqua Milling Co., Piqua, Ohio, referring to a car of 43 per cent cottonseed meal, purchased by them from C. L. Montgomery & Co., Memphis, Tenn., asking whether you could give information concerning the firm.

I have no record of any reply to my letter, and I have another letter from Piqua Milling Co. asking what was done in the matter.

Will you please advise me what has been done, if anything. What chance is there for collection of a claim.

What is the executive committee of the National Council of Millers Association Secretaries doing? I note the Modern Miller took a shot at the federation, because they have not (after four months) made known any plans adopted under the new organization. I presume that vacations have delayed any action, but vacations are now at nearly the end, and something should develop.

In connection with the above letters, it will be remembered that Federal Trade Commission agents engaged in investigating the baking industry started out on the field work late in July, 1924.

The results of the exchange of prices among millers were described as follows in a letter from W. H. Cahill, sales manager of Bernhard Stern & Sons, Milwaukee, Wis., to W. J. Grover, of the New Richmond Roller Mills, New Richmond, Wis., on August 13, 1924:

We are glad to be able to say, and with considerable foundation for making this statement, that it is a good many months—we might say several years—since we have seen such a determination on the part of mills to hold firmly to asking prices that are consistent with cost. Without going into details—we have seen concrete evidence of this on the part of a number of very representative mills, and we feel that we are warranted in making the statement that conditions at this time as regards to selling of flour show a vast and almost unbelievable improvement over conditions that existed a year ago. We have had exchanges of correspondence with several mills, some of which we addressed communications

to regarding prices reported to have been named, and everybody that we have come in contact with in this way (we are referring to millers) seems to be very willing to help along the good cause.

In the same letter Mr. Cahill also wrote regarding a low price reported to have been quoted in Packersburg, W. Va., by the New Richmond Roller Mills:

We are thinking that our salesman must have made a mistake of a dollar a barrel in sending in the report to us, or some way or other there is an error. You will, of course, understand that the spirit in which we are writing this to you is one of a desire on our part to do whatever we can in checking up on information that seems misleading or doing anything else that we can to help bring about a very much better order of things generally than existed in the milling business in recent years.

The two letters given below throw an interesting side light upon flour prices as quoted in the Northwestern Miller, an important milling trade journal published in Minneapolis, Minn., the editor of which resides in Kansas City, Mo.

On September 12, 1924, Walter Stern, of Bernhard Stern & Sons (Inc.), Milwaukee, Wis., wrote Robert E. Sterling, editor of the Northwestern Miller, as follows:

I wonder if you will take it amiss if I call your attention to a recent inclination on the part of whoever writes the Kansas City correspondence in the Northwestern Miller, of quoting sales made at an exceptionally low price. While this information is correct, I believe, in the interest of the trade, that it is just as well not to mention sales made on an exceptionally low basis. I think you can justify not mentioning such information, for the reason that it can have only a very damaging effect on the trade in general. Just imagine if a buyer reads that a round lot of 95 per cent flour was sold at $4.90 bulk, Kansas City, and we are endeavoring to sell him on the price basis that we do, which is very much higher, and as you know, most of the sales are sold at a great deal higher than any such low figure as that.

I know very well that the $4.90 bulk price is a fact, but the mentioning of such a sale in your columns is apt to have a very far reaching effect in causing demoralization. I know very well that the Northwestern Miller in all its columns quotes the range of prices, but one of the hardest things for those millers to contend with, who are desirous of improving general milling conditions, is to combat the quotation of a sale at an exceptionally low price. If all sales, large and small, and at all prices, could be quoted, the low price would not be so damaging. If any mill makes a sale at an exceptionally good price, it is probably rarely the case that it gets into print.

I wonder whether you agree with me that it would be better not to mention sales made at an exceptionally low price.

I have not seen you in a long while, and am looking forward to the opportunity of having a real good visit with you again in the near future.

I want to take this opportunity of extending to you most cordial greetings and best of good wishes.

On September, 16, 1924, Mr. Sterling replied as follows:

The matter of flour market quotations, referred to in your letter of the 12th, is always a problem.

Naturally millers desire at all times to see the highest flour prices published and want nothing said about the cheap prices at which they frequently sell. Many of the mills try to force us to do this by giving us at all times when quoting flour prices the purely nominal quotations—the prices at which they would like to sell if they could.

On the other hand, particularly in large markets, the buyers of flour try to influence our reports by giving us at all times the very lowest figures at which they have bought distressed flour. They say nothing whatever about some of the high prices paid for established mill brands.

Between these two conflicting factors we try to describe conditions and quote prices which are fairly representative of the market. It is obvious that if we at all times published the highest prices quoted on flour and the lowest prices at which distressed lots are sold there would nearly always be a range of not less than $1.50 a barrel on flour in substantially the same class. Instead of doing this in ordinary quotations we eliminate distress sales but usually do include top prices asked for the best brands.

You can see that if we failed to mention the prices in the lower brackets we would soon lose the confidence of our readers among buyers who would very properly reach the conclusion that we published more or less fictitious prices and that they could not depend on market information in the Northwestern Miller. In no time at all we would lose their confidence entirely.

Another factor in this is our obligation to our readers among people who buy flour. They pay us our subscription price in order to get the paper and from it keep informed on trade conditions and flour prices so that they can buy more intelligently. If we accepted their money and then gave them a paper which was untruthful because of publishing only half truths, we would be guilty of something closely resembling breach of trust.

Referring specifically to the price mentioned in your letter of $4.90 bulk, Kansas City, this price undoubtedly was made on the sale of a considerable quantity of flour. It was not merely a "freak" price but was actually representative of a certain volume of trading in the period covered in the market review. It does not seem possible for us to keep good faith with our readers to ignore the low-price transactions.

We do want to serve the interests of millers in this connection but I do not see how we can possibly go so far as to publish fictitious market quotations—and, of course, they do become fictitious if we do not truthfully describe all factors.

I wish we could make the prices. It would then be a simple thing to eliminate these low figures. Unfortunately, the millers make them and the best we can do is to try to minimize the importance of the foolish sales. Don't you see my point in this?

During September, 1924, Sydney Anderson, president and A. P. Husband, secretary, of the Millers' National Federation, attended group meetings of millers at Kansas City, Mo., Williamsport, Pa., Richmond, Va., Buffalo, N. Y., Lansing, Mich., Toledo, Ohio, Columbus, Ohio, and Indianapolis, Ind. In October they attended meetings at Belleville, Ill., and St. Louis, Mo. In a report dated October 2, 1924, and read at the semiannual meeting of the federation held at Chicago, Ill., on October 8 and 9, 1924, Mr. Husband, in describing these group meetings, said:

During the group meetings referred to several needs of the industry have been brought out. In practically every case where a miller was called upon to express his views as to the outstanding need of the industry, the reply was "Confidence," meaning confidence of millers in each other. It was pointed out time and again that millers are inclined to believe, without confirming them, reports submitted to them by salesmen and brokers as to prices and terms being quoted by competing mills, and that this practice had much to do with the demoralization in the industry. Much of this character of difficulty would be eliminated if millers would emphasize to their salesmen and brokers that the selling price of the mills' products was to be made at the mill office and not by the buyer, and that concessions as to prices and terms of sale would not be granted as a result of transmitting to the mill reports of what competitors were doing.

Sydney Anderson, at that time a Representative in Congress from Minnesota, became president of the Millers' National Federation on September 1, 1924, having been elected to this office in June, 1924.

The following letter of October 11, 1924, from G. M. Palmer, president of the Hubbard Milling Co., Mankato, Minn., to John S. Pillsbury, vice-president of the Pillsbury Flour Mills Co., Minneapolis, Minn., shows that frequent complaints were made as to the low prices made by the Pillsbury Flour Mills Co.:

I was sorry that you were obliged to leave the meeting so early last Tuesday, as I should have been very glad indeed to have you remain and take part in the further discussion of matters of great interest to us all.

You mentioned the fact—in a joking way, however—that several had spoken to you about the low prices your company was making, that you did not wish to sell flour for less than was absolutely necessary, etc. I trust you will take no offense if I call your attention to the fact that I have heard more complaints of the prices made by your company than any other or all other Northwestern mills, and I also heard the statement made by men of high standing in the business that in their judgment it was not necessary for you to make so low prices, that they did not believe you realized how strong you were with your customers, and in their judgment that you could just as well get considerably more money for your flour as not.

I am inclined to believe that it would pay you to give pretty careful attention to these criticisms and comments for your own profit as well as for the fact that undue criticism of your prices tends to tear down the very thing that we are trying to build up. A number of times I have heard the comparison made between your prices and that of W.-C. Co. and invariably to the credit of the latter company.

I believe that most of the spring-wheat mills are honestly trying to change policies which have been in force for a long time and are trying to get onto a better plane of doing business.

I thought best to call your attention to these matters and trust it will be received in the same spirit in which it is given.

On October 13, 1924, Mr. Pillsbury replied, explaining the reports that his company was underselling competitors "contrary to its long-established custom," and describing his company's system of checking up prices with its competitors. The letter is as follows:

I am very glad that you wrote me as you did, and I can assure you that we all appreciate that, for some reason or other, it has gotten circulated around the trade that our company, contrary to its long-established custom, has been trying to undersell its competitors.

Of course, there is always a chance, in wild markets, for a sale to be made at a lower price than was intended; and as we have investigated every single complaint that has been brought up to us by one of our friends, I can state truthfully that we have discovered less than a dozen instances where we have not been able to satisfy anyone when the true facts were disclosed. We have encouraged our friends to call our attention to any sales that did not look right, and we have cheerfully given the exact facts in every instance. Nine complaints out of 10 that have been made have been based on wrong information, on errors in prices reported, and in many instances on wrong dates. We have also found a tendency among the trade to report that they have purchased our most expensive flour at the price of our lowest-priced flour, and in one instance (which we have heard of from at least a dozen sources) we made a sale of flour, according to laboratory analysis, and had it distinctly understood that, if our highest grade of flour were used, the price would be 40 cents per barrel additional. As a matter of fact, this particular customer has used both grades, and as I understand it, intends to order out the balance of his purchase on the high-priced flour.

I wish you would tell any of our spring-wheat friends that if they can find out any time that our basis of price is low, we will be delighted to have them take up the matter with us and we will give them the facts in the case. I might add that for the past two or three weeks we have been keeping a file of prices made by a good many of our friends where they seem to be much below our basis. In one instance, through a friend we were able to purchase a car from one of our spring-wheat competitors at 15 cents per barrel below a price that he complained of from ourselves and 40 cents below what he claimed his price was. This is an unusual circumstance, but I thought it might be of interest to you to know that it actually happened, and we have received and paid for the car of flour.

From a very careful analysis of the situation, I think that possibly for a few days about a month ago, when the market was advancing steadily, due to slow or careless work on the part of some of our district managers, we may have had a price basis that was slightly below what we wanted and what may have been the price basis in effect by some of our competitors, but this certainly has not been the case for the past month.

We try to keep accurately informed as to what costs are and what seem to be the prevailing prices, and as the milling business was very bad with us last year we certainly are in a position where we have got to make a small profit at least.

In referring to the prices of the Pillsbury Flour Mills Co., Fred J. Lingham, of the Federal Mill & Elevator Co. (Inc.), wrote to Ralph C. Sowden, of the New Era Milling Co., Arkansas City, Kans., on November 11, 1924, in part, as follows:

Also, the last few days I have been quite alarmed for fear the moral of the industry would break down, especially because of some prices made by the two largest mills.

As you may know, the Pillsbury people have been in the habit of putting out so-called "bargain day" prices, namely, prices considerably under their regular list, good for 24 hours. The Buffalo office has finally agreed to discontinue this, at least so far as the family trade is concerned. I consider it most demoralizing, and I really believe it hurts their own business as well as others, because the trade gets to expect and wait for these so-called "bargain" sales.

I wrote Mr. Bell a pretty stiff letter yesterday telling him that the mills must change their tactics or there was going to be a renewal of demoralization, and I know he is very anxious to prevent this.

In replying on November 15, 1924, Mr. Sowden referred to the Washburn-Crosby Co., and the Pillsbury company as follows:

Your good letter of the 11th at hand and I sincerely trust that the larger mills will stand firm. According to reports which we consider reliable, flour stocks are not heavy anywhere and it is only a question of a short time until flour buyers will be forced into the market.

So far as I can learn, Mr. Bell and his company have certainly gone far to gain the confidence and respect of our millers here in the Southwest, but the Pillsbury people, I regret to say, have incurred only distrust.

Next Tuesday at Kansas City we will have our Southwestern Millers' League meeting which I think will prove beneficial in strengthening the morale in this section.

Mr. Lingham wrote again to Mr. Sowden on November 18, 1924, as follows:

A few days ago Mr. Bell, in going through Buffalo, called me on the phone. He is very much discouraged over the action of some competitors in the way of price cutting.

As he put it, his company has "kept the faith" with the milling industry, since their change of policy, and it worries him very much to think that some competitors have not been willing to go along with them, and he feared that the industry might be driven back into a demoralized condition again. Of course the fact is that he is just as anxious, and his company is just as anxious, as any one can be, to avoid this, but he can not be expected to stand back and let the other people take advantage of this situation without putting up a fight.

I trust the Kansas City meeting to-day will do a lot of good.

Mr. Sowden replied on November 20, 1924, as follows:

We had a splendid meeting at Kansas City. Reports for the past week indicate that our mills have sold some 30 per cent of their capacity. There are, of course, a few instances where some of our mills out here have been taking a free ride but the situation on the whole has shown such vast improvement over conditions a year ago that the sentiment seems to be unanimously in favor of continuing the group meetings. As for ourselves, we have sold less flour up to this time than for any previous year since the war, but we think we are ahead financially.

There are a bunch of Kansas City millers who will go to Minneapolis Friday afternoon to meet with the Minneapolis millers, as we down here are determined to keep in contact with the spring-wheat people just as long as possible. Mr. Bell and his organization have certainly kept the faith with the milling industry and we can not blame him for getting weary of acting in the capacity of umbrella holder when his largest competitor has been doing so much all over the country to demoralize things.

Many of our mills are down out here. All report shipping instructions very slow and I sincerely trust that Mr. Bell's fears are unfounded and that the morale of the industry will not be weakened at this time.

On November 22, 1924, Mr. Lingham replied as follows:

I am pleased to have yours of the 20th. The same mail brings me a letter from Mr. Bell telling me that he has done some very plain talking to some millers. His language is so strong that I will not quote it, but you can gamble that he is doing everything he can to stop certain underhanded competitive practices.

He, too, wrote me that he was looking forward to conference with southwestern millers on Saturday. I believe this is one of the best things that can be done, namely conferences between the southwest and northwest.

In regard to the Washburn-Crosby Co., price policy, W. H. Cahill, sales manager of Bernhard Stern & Sons, Milwaukee, Wis., in writing to R. P. Mitchell, manager of Washburn-Crosby Co., Minneapolis, on November 14, 1924, regarding a low price reported to have been quoted by the Washburn-Crosby Co., in the West Virginia and Ohio River territory, said:

We have heard your Mr. James F. Bell on a number of occasions in recent months state that the policy of your company was to hold very rigidly to prices that were consistent with cost and that were proper in every sense that the term implies, and we want to say to you too that this is really the very first instance of any alleged low prices quoted by your company that has come to our attention. We have heard of some scandalously low prices being quoted by some other competitors, but not any by your company, and it goes without saying that we take at full face value anything that Mr. Bell may state as regards to the policy of the Washburn-Crosby Co. This being the case, we most certainly are inclined to believe that our man was greatly mistaken, or that some unscrupulous buyer gave him misleading information, either innocently or wilfully. Anyhow, we know you will be glad to give us the correct "dope."

We know that it is not necessary for us to explain that in writing you in this way, we are merely falling in line with the practice of checking up on information as to low prices, and which practice has been in vogue in recent history among those mills like yours and ours, who are sincerely striving to bring about a very much better order of things generally, as regards to flour sales.

On November 17, 1924, Mr. Mitchell replied, giving prices quoted by his company and stating:

Have your favor of the 14th. Am glad at any time to pass along the information that you ask for.

For your information, our price on King wheat on the third Pittsburgh rate points, 60-day shipment was $7.50; November 6, $8 and following the regular market advance up until the 10th, the date which you state your salesman wrote you. These prices are basis 98s cotton with a possible shade of 15 cents. For your information, since that time we have advanced our basis irrespective of market change 20 cents per barrel. The only record of sales having been made in West Virginia, basis Pittsburgh rate November 3 were $7.35, basis 98s cotton. These were two single car-lot sales. From the 3d to the 10th I do not have a record of any other sales in the Pittsburgh territory. Our Pittsburgh office, of course as you understand, handles all of West Virginia.

We have a report you sold Blue Bird flour in Washington, D. C., on November 5th at $7 jutes.

Many thanks for your good wishes.

The field work of the commission on competitive conditions in the flour-milling industry started during the last half of November, 1924, beginning with the examination of the records and correspondence of the flour-milling associations.

Many millers and secretaries of millers associations were interviewed by agents of the commission toward the close of 1924 or early in 1925 on the exchange of price information and the checking up of alleged low prices. Comments by a number of these are given below substantially as given orally to the agent. In two instances made clear by the context these comments are made in the form of written statements to the agent.

J. B. McLemore, secretary Southeastern Millers Association, Nashville, Tenn., stated that no direct effort has been made to fix sales prices, but that the association receives reports from mills showing date of sales, number of barrels sold, State in which sold, the brand and price. This information is listed and sent out in daily bulletins to members. The reason for showing the State in which sold is that it is impossible to get as good prices in some States as in others, and a low price in such a State would not indicate price cutting. The association also sends out weekly bulletins showing the demand, mill quotations, and high and low sale prices for the week.

G. A. Breaux, vice president of Ballard & Ballard Co. (Inc.), Louisville, Ky., stated that he was vice president of the Southeastern Millers Association, which issues a daily sales report to its members. This report is compiled from daily sales sheets furnished by the members. This part of the association's work is very helpful to the members in the way of keeping them informed of prices.

Fred E. Pond, secretary New York State Millers Association, Buffalo, N. Y., stated that the only thing the association did in regard to prices was to publish a bulletin of past prices each week. The members report past quotations on cards which are sent to them each week by the secretary. There is no requirement that members must make these reports, it being entirely voluntary. From these cards the weekly bulletins are compiled without using the names of any companies but showing the quotations by towns. These bulletins are sent out the latter part of each week and contain quotations of the Monday preceding. This price bulletin service was started the latter part of March, 1923. Mr. Pond stated that he never checked up the quotations but just compiled them and sent them out, as it was not his business to check them up. Mr. Pond stated that from time to time he sent the association bulletins to a list of mills that were not members of the association but which he thought might be interested. He did this chiefly for propaganda work. At the top of the weekly price bulletin as sent out each week are the following paragraphs:

The following prices are being quoted for shipment from points named in carload lots, basis Boston rate of freight on flour basis 98-pound cotton sacks, feed in 100-pound burlaps.

There is no agreement or restraint, definite or implied, between mills, as to the price at which anyone may quote or sell his product.

W. V. Hamilton, president of Wm. Hamilton & Sons, Caledonia, N. Y., and president of the New York State Millers Association, stated that his company furnishes weekly quotations to the secretary of the New York State Millers Association.

F. J. Lingham, president Federal Mill & Elevator Co., Lockport, N. Y., stated that his company furnished weekly price quotations for the bulletin of the New York State Millers Association.

Charles B. Riley, secretary of the Indiana Millers Association, in a letter, December 18, 1924, addressed to an agent of the commission wrote in part as follows:

We put out a weekly bulletin, a copy of which goes to the Federal Trade Commission every week. This bulletin is based on information received from the millers over the State on cards sent to them for that purpose. It has never been the purpose nor practice to by any means whatever fix prices or determine the actual cost of producing and selling mill products by the different mills of the State. This bulletin, as stated, goes to all members in the State every week,

and very frequently, sometimes as much as two or three times a month it goes to the entire milling industry of the State. Copies go to no millers outside of the State.

The justification of our bulletins, according to our view, is this: The large mills of the State in public markets buy their wheat in car-lots on the market and likewise sell their product in car lots and less than car lots, such quotations being available in local markets, but there are no quotations on grain or mill products available throughout the State, covering the points and the interests to which the bulletin goes. The cards on which information is transmitted to this office by the millers are received by them on about Friday or Saturday of each week. They usually fill out the card, giving the prices at which they are at that time selling mill products. The cards are received in this office on Saturday, or usually Monday or Tuesday of the week following that, and are then transcribed and on Thursday of that week the bulletin is mailed out, carrying this information as coming from the different towns. These quotations relate to and cover the jobbing business, or in other words, they do not quote the retail prices at which mill products are sold to the consumers, but there being no public quotations and there being over 285 mills in the State struggling for business, competition could not be well developed without some means of information concerning the particular business in question.

As stated, the larger mills are usually located in the center where quotations are published, but the small mills, as stated, get no such information with relation to the territory in which they do business. Competition results in lower prices more frequently than higher prices, hence the more information this class of mills get as to what other mills are doing, the more certain they are to meet competition in the way of price, service, etc. Hence, the value of this service.

The existence of the small mills, in both this and other States, will continue, as they should, for they are needed locally and their influence in the general market is an assurance to the public that the production and sale of flour in this country can not ever be controlled by any class, be they ever so important or formidable. In this statement we do not wish to be understood that we think such a condition is eminent [imminent,] but the small mills are a perpetual protection under any conditions that may develop.

The purpose of the organization and its members is expressed in the by-laws. We never have made prices directly or indirectly. Nor do we intend to afford facilities for price making by any means expressed or implied in our bulletins or otherwise. We know nothing about what the mills are doing other than what we find in the reports and published, and, as stated, one copy of the bulletin is sent to the Federal Trade Commission in Washington. We have no uniform or general method of ascertaining the cost of production, and so far as we have information there always is a very wide range dependent upon the capacity, kind of power, the source of supply of the raw material, etc. These mills throughout the State draw their supply of grain direct from the producers in the various localities. They sell a very large per cent of their product direct to the consumers. The prices thus obtained are not reported in these bulletins, and the bulletins do not carry any information whatever concerning such practices.

L. C. Chase, president of the United Mills Corporation, Grafton, Ohio, stated that they exchange price quotations with 9 mills in Ohio, 3 in Indiana, 5 in Michigan, 1 in Virginia, and 1 in Maryland. They issue these quotations every Friday.

Carl W. Sims, president of the Sims Milling Co., Frankfort, Ind., stated that he furnishes his weekly price quotations to the State Millers Association but he thinks this is of no particular value. What he gets out of the association is an idea of general conditions and information on technical milling.

T. S. Blish president Blish Milling Co., Seymour, Ind., stated that his company reported conditions weekly to the Indiana State Millers Association.

F. B. Drees, secretary, Michigan Millers State Association, Lansing, Mich., stated that this association sends out quotations weekly with the association bulletin, giving mill-door prices by towns for the previous week. These prices are reported by members on individual

cards sent out by the secretary and returned by the millers. This is entirely voluntary and the number of returns became so small that the issuance of quotations was discontinued for a time. It was started up again last June and has been continued up to date.

George A. Amendt, president of the Amendt Milling Co., Monroe, Mich., stated that his company exchanges price quotations with a list of 19 mills and also with the Piedmont Millers Association, as well as sending these price quotations out to the trade.

F. A. Voight, president Voight Milling Co., Grand Rapids, Mich., stated that sometimes if another mill gave a very low price they would call up and ask them about it.

C. T. Vandenover, secretary Southern Minnesota Mills, Minneapolis, Minn., stated that the association sent out a daily bulletin showing a record of sales of flour made by members of the association, and that the principal purpose of these reports, and the good in them, is that it gives a mill an idea of the volume of business that has been transacted. Mr. Vandenover thought that so far as the good of the report is concerned, it was not much, aside from getting a line on the volume of business being done. As far as the price was concerned, he had always been doubtful whether it was helpful or detrimental. "The reports show a range in prices of $1 a barrel on the average. Now, of course, there is a slight difference and sometimes a substantial difference in the grade of that flour, even though it all shows as grade A flour. That is the secret of the individual mill as to how to make up a wheat mixture and put out a good blend of flour in the competitive trade and merchandise it more successfully than the other fellow can. Some of them work up a mill mixture from year to year that seems to satisfy a certain trade to a point of just what they want. The other fellow may have a hard time trying to compete against that flour, and yet the fellow that is getting a longer price for his flour, which might be costing him no more so far as his wheat mixture and grinding costs are concerned, than the fellow who merchandises his flour at a lower price. That explains briefly the wide variation noticeable on those reports. The thought I have in looking over a report of that kind is that a fellow may be able—we will say—to get in his own mind information as to what his competitors are doing, not only in the volume of business but the report itself. While I do not think it is absolutely accurate in each and every transaction, it does give a fair reflection of what flour is being sold at from the milling point of view rather than from the buyer's point of view. This comes more nearly to giving authentic information than if you take up a trade paper and see flour is quoted at such and such a price f. o. b. New York. The sales reported are reduced to standard, patent bulk, Minneapolis. To this you would have to add the transportation charge and going price of the containers. On to-day's market you would add 87 cents a barrel transportation and the going market to-day on bags is around 33 cents. That would give you $1.20 added to this price here, which would make the New York City price $8.40."

Walter Stern, president Bernhard Stern & Sons (Inc.), Milwaukee, Wis., stated that they exchange selling prices with other millers and also send in their selling prices to the Southern Minnesota Mills. "As to checking up prices of competitors, we do this: If we find a

miller is selling flour way out of reason in a particular territory we will call his attention to it personally, by letter, or telephone, and try to show him the folly of doing business in that way, but as to agreeing on prices, we do not attempt anything of that kind."

H. F. Marsh, director International Milling Co., Minneapolis, Minn., in a letter of February 23, 1925, addressed to an agent of the commission wrote, in part, as follows:

> When another miller asks us for information about prices we give it to him, unless there is some particular reason why we think it inadvisable to do so. It is a very unusual thing for us to direct such inquiries to other mills. We are members of Southern Minnesota Mills, an organization of flour millers operating in Southern Minnesota, South Dakota, and Wisconsin, and make daily reports of our sales to the office of that association. Reports are on a form which we understand you are familiar with, and we will therefore not undertake to explain it. The reports received from the different members are consolidated and a consolidated report is sent out to the members, by the secretary, which shows the number of barrels of flour sold in the different territories at prices reported by the mills, but the secretary treats the report as confidential and no mill receiving the consolidated report has any knowledge of the sales made by the other members, except as they are lumped together and put in the report.

A. L. Hale, general manager of the Commander Mill Co., Minneapolis, Minn., stated that his company did not exchange prices with other millers but did report their sales to the Southern Minnesota Mills for statistical purposes.

B. B. Sheffield, president Big Diamond Mills Co., Minneapolis, Minn., stated that his company did not exchange prices with any of the mills but did report its sales to the Southern Minnesota Mills.

H. L. Beecher, president Eagle Roller Mills Co., New Ulm, Minn., stated that—

> We only exchange prices if we find a mill is selling flour so low that they ought to be ashamed of themselves. We call them up and try to rip the hide off them. I don't think the Federal Trade Commission can find any fault with that. If a fellow is selling flour at ridiculously low prices we have a perfect right to call him up and rip his hide off.

J. W. Mashek, general manager Empire Milling Co., Minneapolis, Minn., stated that they did not exchange selling prices with other mills but did report their sales to the secretary of the Southern Minnesota Mills.

F. D. Stevens, secretary Kansas Millers Club, Wichita, Kans., stated that the club got out bulletins showing current prices. Only those members having good, stiff prices would send them in, so the price range went high enough but would not show the low prices, as the low-priced millers would be ashamed to send in their prices.

Thad L. Hoffman, president Kansas Flour Mills Co., Kansas City, Mo., stated that the millers are all trying to keep their sales on a profitable basis by exchanging prices they have made and are making. He has talked over the phone to millers in this territory probably 500 times in the last two years about reports of low quotations or sales, made by his company or some other company, or about long-delivery terms given, or no carrying charges assessed, etc. About ninety-nine times out of a hundred these reports are phoney; either the purchaser or the salesman having lied, either about the date, the price or the length of the term.

D. S. Jackman, treasurer and R. W. Magill, secretary, Kansas Milling Co., Wichita, Kans., stated that there was no effort made to agree on prices or to exert any pressure on other millers to maintain prices, but there was considerable correspondence between the Kansas Milling Co. and other mills regarding the actual or reported sales, or quotations of prices, below seemingly recognized standards. Only cases of exchange of prices were where there was a complaint. These written complaints were only a small part of the complaints made, as the telephone is generally used in such cases.

W. J. Coad, president Omaha Flour Mills Co., Omaha, Nebr., stated that they had written letters to other mills about low prices and tried to get these mills to ask more. About two years ago the Pillsbury Flour Mills Co., came into Omaha and sold flour at about $1 per barrel less than the price of the Omaho Flour Mills. Mr. Coad had written to Mr. Pillsbury and asked about it and Mr. Pillsbury practically told him that it was none of his business. Mr. Pillsbury just said yes, that they were selling at that price. Later on the Pillsbury Flour Mills Co., quit, as it was getting a lot of complaints and was also losing money.

Section 6. Agreements, understandings, or cooperation to fix the elements of prices.

The main elements making up the selling prices of flour are: Cost of wheat, operating expense or conversion cost of manufacturing and selling, by-product credits, package cost, and profit. Agreements, understandings, or cooperation in regard to profits have already been described above in section 4, beginning on page 353. A description of the other elements of price is given below.

Northwest section.—The milling companies located in Minnesota and Wisconsin have been quite active in cooperating on the elements making up prices of wheat flour, and to some extent of rye flour also.

In writing to Walter Stern, of Bernhard Stern & Sons, Milwaukee, Wis., on December 18, 1923, regarding a recent meeting of the Southern Minnesota Mills, James F. Bell, vice president of Washburn Crosby Co., Minneapolis, Minn., said in part:

> I quite agree with you it would be advisable to get together frequently. I have been turning over in my mind a new idea of a millers' service bureau which could deal with factors that go to make price and not the prices themselves; in other words, something that would help us to speak a common language, which we do not do to-day.

On December 19, 1923, Mr. Stern replied, in part, to the above letter as follows:

> Thank you very much for your kind letter of December 18, which is much appreciated. I naturally was particularly interested with your writing that you were turning over in your mind a new idea of a millers' service bureau, and I trust that when you have this sufficiently formulated, that I will hear further from you regarding the same.
>
> May I permit myself to urge strongly that you personally attend the meeting of the Millers' National Federation to be held in Chicago on January 15, which as I understand it, is called specifically for the purpose of seeing as to how things can be improved in a general way in the milling industry.

Prior to this exchange of letters between Mr. Bell and Mr. Stern other millers were already discussing the same subjects. On Decem-

ber 1, 1923, G. M. Palmer, president of the Hubbard Milling Co., Mankato, Minn., and also president of the Southern Minnesota Mills, an association of millers, sent out to members of the association a circular letter reading in part as follows:

A most important conference was held on Saturday last in Minneapolis. Mr. Bell of Washburn-Crosby, Mr. Loring of Pillsbury Milling Co., and Mr. Helm of the Russell-Miller Milling Co., were in attendance and addressed the meeting.

* * * * * * *

It was suggested that in order to be safe, at least $1 per barrel over the cost of the wheat should be added in all cases to cover cost of milling and selling, and even this will scarcely cover any margin of profit considering the cost of carrying the flour sales and the risk of the feed market, etc.

It was also suggested that now is an opportune time to form a spring-wheat millers' association, including all Northwestern mills, with the view that such an organization could meet occasionally, talk over milling conditions, and try to correct the abuses of our business.

On December 7, 1923, R. W. Goodell, vice president and general manager of the King Midas Milling Co., Minneapolis, Minn., replied to the above circular, in part, as follows:

The writer believes that a considerable part of the gloom which has settled over the milling industry of the Northwest, would be dissipated, and a radical improvement in conditions brought about, if the four large milling companies in Minneapolis together with the membership of the Southern Minnesota Mills, could be induced to act with some degree of unanimity in respect of the following matters:

First: Confining their operations to the per cent of capacity which they have operated since January 1, 1923; and reducing their working forces at the mills and their hours of operation to such basis.

Second: Make $1 per barrel the minimum which any company would add to its wheat cost in making sales to any customer regardless of his size or importance.

Third: Be more conservative in the matter of feed values in figuring wheat costs.

* * * * * * *

There is not an individual miller in Minneapolis or interior points, who, when discussing any one of the above evils in private, would attempt to defend them. Anyone in the milling business will agree that the stability of the industry is being undermined by these practices; yet a great many, if not the majority of the spring-wheat millers are doing one or more of the things mentioned. An organization of spring-wheat millers, would, the writer believes, accomplish some good. It should include in its membership all of the mills in the spring-wheat territory, including both the Minneapolis companies and the outside mills; and it should hold regular and frequent meetings—once a week would not be too often—at which trade conditions and abuses needing correction, could be freely discussed.

No further discussion of these matters took place between northwestern millers from December, 1923, to February, 1924, so far as is indicated by any information the commission was able to secure.

On February 16, 1924, H. H. King, president of the H. H. King Flour Mills Co., Minneapolis, Minn.,wrote to George M. Palmer, in part as follows:

I got in touch yesterday morning with Mr. Bell and Mr. Loring, and Mr. Bell stated there was no question of his being here the last week in February, while Mr. Loring was not so sure—that is, he didn't want to state so far ahead—but if not here he said that Mr. Hempstead, their secretary, and Mr. Whiting, their sales manager, would represent them in his stead. There is no question but what some good will be worked out of this meeting.

We think it will take a good strong man to probably hold them in line on this cost proposition. It is my belief that this, of course, would be outside and apart from any milling organization—that is, some man in whom we have implicit confidence would open an office to furnish such service to the millers from

Minneapolis as is necessary in regard to the cost of wheat, the price of feeds, and the cost of a barrel of flour predicated on these findings. The millers can subscribe for this service or not, as they please.

Now, in this connection I felt that Mr. Goetzmann, if he could be induced to take it, would be a good man to do this. Of course it would necessitate his giving up his present business, but I believe if there were any possibility of this going through and being something of a permanent nature, he might be induced to do it.

Would be glad anyway to meet with you in conference as you have suggested any time you wish to call us together before the meeting, but Mr. H. S. Helm is out of the city and will not be back this month, consequently you will have to call in Mr. Willis Helm, the manager of the company.

On February 27, 1924, C. T. Vandenover, secretary of the Southern Minnesota Mills, an association of millers, wrote in part to G. M. Palmer, president of the Hubbard Milling Co., and also president of the association, as follows:

In order that you may have information on file relative to the meeting which was held at the Radisson Hotel on February 26, I have prepared the following notes from the minutes recorded by me at the meeting:

The first matter taken up at the meeting was the preliminary remarks on the part of Mr. Palmer, chairman, advancing the reasons for a call of a meeting of this kind and giving a brief outline of what could properly be considered at this meeting and advising the members present that he desired a free and frank discussion of any matters regarding the milling industry that could be considered in a helpful way at this meeting.

The first order of business was the election of a chairman. It was moved by Mr. Loring and seconded by Mr. Sheffield and unanimously carried that Mr. G. M. Palmer be elected chairman.

Moved by Mr. Loring and seconded by Mr. Bell that Mr. Vandenover be elected secretary.

It was voted near the close of the meeting that the present officers should remain in office until permanent organization is completed.

Mr. Bell, who was the first speaker at the meeting, outlined the advisability of creating some agency that might assist the Northwest spring-wheat millers in arriving at proper costs pertaining to mill operations, accompanied by accounting methods, etc.

Mr. Loring spoke in reference to organization work and the necessity for the millers of the entire country supporting organization work to a greater degree than they have in the past in order to avoid further weaknesses in the industry, and he made reference in particular to legislative matters which need attention quite regularly in Washington.

It was moved by Mr. King and seconded by Mr. E. A. Everett, that the chair appoint a committee of seven to investigate the possibility of some agency being established for rendering assistance to the Northwest milling industry.

The chairman at a somewhat later point in the meeting appointed the following committee: Mr. H. H. King, H. H. King Flour Mills Co., Minneapolis; Mr. H. H. Whiting, Pillsbury Flour Mills Co., Minneapolis; Mr. J. H. Mullekin, Washburn-Crosby Co., Minneapolis; Mr. Chas. T. Olson, Commander Mill Co., Minneapolis; Mr. D. M. Baldwin, Baldwin Flour Mill, Minneapolis; Mr. W. N. Smith, Montana Flour Mills Co., Lewistown, Mont.; Mr. Walter Stern, Bernhard Stern & Sons, Milwaukee, Wis.

* * * * * * *

Mr. B. Stockman, of Duluth, spoke of the advisability of millers getting on some sound footing regarding the cost of manufacturing feed as compared with flour and the relationship in prices made on feed as compared with flour.

Mr. Allen of the Bay State Milling Co., made mention of the possibility of the Millers' National Federation handling all of the problems that were under consideration at the present meeting.

Mr. W. N. Smith, of the Montana Flour Mills Co., Lewistown, Mont., talked in favor of creating some organization as outlined in the motion propounded by Mr. King, and felt that the necessity of some organization on the part of the spring-wheat millers in the five Northwest States of Wisconsin, Minnesota, North and South Dakota, and Montana was a move in the right direction, and that considerable good could be accomplished through such an organization.

The meeting described above was attended by 61 representatives of milling companies located in Minnesota, Wisconsin, North Dakota, South Dakota, and Montana.

On March 3, 1924, H. H. King, of the H. H. King Flour Mills Co., Minneapolis, Minn., wrote to Mr. Palmer, in part as follows:

I have yours of the 1st. Doubtless you will think I am a little slow in getting action on this matter, but I have been rather busy along other lines and there are many things which must be considered. I am going to get the committee together this afternoon, if possible, to consider the kind of letter that will go out to the subscribers and in connection with this, we will have to determine the capacity of the mills. What are we going to take for this capacity? The ones most interested in this are the big mills here, and on account of their big capacity at Buffalo, we do not think that they would object to taking the Minneapolis capacity of the Northwestern Miller, although they only pay about one-third of this capacity to the federation. We think it might be all right to take Vandenover's list for the Southern Minnesota Mills.

We do not believe it would be any use to try to do anything with these people sending out cut-price letters until our service bureau begins to function.

H. H. King is named first in the list of the committee appointed at the meeting of February 26, 1924, which was named "to investigate the possibility of some agency being established for rendering assistance to the Northwest milling industry."

On March 4, 1924, Mr. Palmer wrote W. L. Harvey, of the International Milling Co., Minneapolis, Minn., as follows:

I was sorry not to meet you or Mr. Marsh or Mr. Bean at the millers' meeting last Tuesday. We noticed, of course, your absence; but knowing your interest in anything that bears any hope whatever of bettering milling conditions, I assume that something or other prevented your attending.

I think the meeting was really the best and most constructed [constructive] of any millers' meeting I have attended in many years and there seemed to be a very earnest desire to bring about better milling conditions, which are certainly very much needed at present. There was something over 60 in attendance, 3 from Montana who had come 1,200 miles and Mr. Stern, of Milwaukee. The big Minneapolis mills were well represented and seemed to be as much in earnest in working with us as any of the others and expressed themselves as being willing to cooperate and do anything in their power to bring about a better state of business.

I presume you have met some of the men who were there and they have told you their impressions of the meeting, but all with whom I have talked seemed very hopeful that something would grow out of it.

A committee was appointed to try and formulate some plan that would be workable and beneficial, and then another meeting would be called to discuss their report and talk over general conditions. I hope when this meeting is called you will not fail to be present as we certainly are counting upon your cooperation and advice and help in adopting some plan that seems feasible.

On March 5, 1924, Mr. Harvey replied, as follows:

I am obliged for your letter of yesterday. Since the meeting Mr. Beecher and Mr. King have called, and have both told us something about what was done at the meeting.

We are, and always have been, interested in anything that promises to improve milling conditions. When the plan is finally worked out I will be glad to discuss it with Mr. Bean and others interested, and if we feel that there is anything we can do by cooperation to improve our own condition and that of the industry generally we will, I am sure, be glad to cooperate.

On March 25, 1924, Mr. Palmer wrote to W. C. Helm, of the Russell-Miller Milling Co., as follows:

I learned through Mr. King that the Northwestern Consolidated Milling Co. has not signified its intention of coming into the proposed organization of spring-wheat millers. That company, with the International Milling Co., are the only important milling concerns that have not signified their intention of joining.

I suggested to Mr. King the appointment of a special committee to wait upon these two concerns, and have appointed Mr. E. A. Everett and Mr. H. L. Beecher to interview the International Milling Co., and I would like to have you and Mr. Bell and Mr. Loring act as a committee to interview Mr. Gallaher and prevail upon him, if possible, to come into the proposed organization.

It seems to me that if we can get the organization perfected that it will be of very great benefit to every spring-wheat miller, and I am anxious that everything possible be done to complete the organization as promptly as possible. However, I hardly believe that it can be done without these two companies, and I trust, therefore, that you will be willing to accept the appointment and interview Mr. Gallaher at as early a date as possible.

I thank you in advance for this service, which I hope you will undertake and carry to a successful completion.

On March 26, 1924, Mr. Helm replied, as follows:

I have your favor of the 25th and note same carefully. I will of course be glad to join Mr. Bell and Mr. Loring on the mission you outline if they give you any encouragement, but I have grave doubt as to the abillty of this committee or any other to alter Mr. Gallagher's [Gallaher] position. I am not sure whether he is following his own inclination or a policy laid down for him by his people in New York. But there seems to be no inclination to join the rest of the fraternity on any enterprise that calls for cooperation. It is my opinion that we will have to make the best of this situation and go right ahead feeling that all the rest of us can pull together for the general good, even with one prominent concern left out. However, if I get the call from the other two gentlemen I will gladly join them and put up the best line of talk possible to Mr. Gallagher.

I do not understand what is keeping the International people from joining, and sincerely hope they can be induced to come in. You know, of course, that their offices are here now, and I presume Mr. Harvey should be interviewed here.

On June 4, 1924, Mr. Palmer wrote to A. C. Loring, president of the Pillsbury Flour Mills Co., as follows:

I trust that the Minneapolis directors will go right ahead in organizing the proposed millers' bureau as soon as possible.

Anything that can be done to stop the present demoralization in prices, terms, length of shipment, etc., will be greatly appreciated by everyone, and even before the bureau is in working order if you can frame up a general letter to members suggesting such improvements as you think can be carried out by individual millers, it seems to me it will have a mighty good effect.

The only thing I can suggest at the moment is to urge mills not to sell for less than cost, not to give ridiculous terms, not to give unreasonable time for shipment without carrying charge, and not to sell new crop flour until something is known about the probable new crop, etc. It seems to me that we can send out suggestions along these lines without rendering ourselves liable to criticism by the Federal Trade Commission. Possibly you may not want to send it out over your signature, but if this idea meets your approval and you will frame up a letter Mr. Vandenover can send it out, and I am sure it will be appreciated and will do some good.

Mr. Loring replied on June 5, 1924, as follows:

I am in receipt of your favor of the 4th instant, and agree with you that at the earliest possible moment the bureau should be established and action should be taken at once along that line.

I have called up Mr. Bell on one or two occasions, but have been unfortunate in not finding him in.

Mr. Husband writes me that he has been somewhat disappointed in the response to the circulars sent out from his office—that only 12 of the northwestern mills have responded.

I am a little at a loss to get your point of view as to writing Mr. Vandenover. It would seem the part of wisdom not to do so, but let the bureau work out some plan that will bring about a better business situation.

On September 1, 1924, George Livingston organized the Livingston Economic Service. In a circular dated September 6, 1924, regarding a proposed market bulletin to be issued, Mr. Livingston stated:

Here is a specimen market bulletin covering grain and flour which I should like to have you look over and give me any suggestions for improvement, either

in form of the report, or the subject matter. Let me say that this particular report is a sample only. It is not intended to give an accurate report on the market. What I would like to have is your critical judgment on the form of the report and whether if issued to you at frequent intervals would be useful.

The report will give a cross section of wheat costs per barrel and the market situation for flour. The information upon which the report will be based will be collected through personal conferences with wheat buyers and sellers in the case of grain prices, and from sales managers in the case of flour prices. The report, therefore, should reflect the situation as I find it upon personal investigation.

It is my intention to make the report something in the nature of a yardstick with which to measure your own wheat costs, overhead, and flour quotations.

There are a number of difficulties in attempting to report prevailing market prices on flour. Flour seems to be sold on brand rather than on grade or standard. I have inserted percentages in order that you may know the grade of flour covered by the quotation. I am particularly anxious for your views on the classification of flour. There is such a wide variation in prevailing practice that it is difficult to arrive at grades or terms which will be generally acceptable to both large and small mills.

A little later I expect to add a third paragraph to the report covering feed. That however will be developed a little later.

Let me have your views on the report at your early convenience.

In another circular dated September 20, 1924, Mr. Livingston gave an explanation of the cost factors to be used on his cost card. Several interesting features of this explanation are as follows:

The wheat price used on the cost card should be the market price of the (wheat) mixture on the date of the cost card, not what you bought it for. Your competitors probably have to sell on to-day's market.

* * * * * * *

On the market cost card, the offal prices used should be slightly below market for safety. There are two reasons why this practice is advisable—first, to provide a margin or "safety hedge" to cover fluctuations in the price of feed which can not otherwise be protected between the day flour is sold and the day the feed is sold; and second, in order to permit a safe basis for flour quotations. The customary practice is to allow about $2 a ton as the "safety hedge." We think this a justified cost factor and will be accepted in all of our subsequent cost cards. Thus, if bran is selling for $25 a ton on the open market, there would be a deduction of $2 plus the current market of sacks to determine the feed price to be used on the cost card.

Later, Mr. Livingston allowed $3 as the "safety hedge."

Two sample market bulletins issued by Mr. Livingston are copied below, one dated January 31, 1925, and the other dated February 21, 1925:

Condensed market cost card

Market bulletin issued to clients by George Livingston, 603 Second Avenue South, Minneapolis, Minn., Jan. 31, 1925]

		Market basis for shipments in—		
		60 days	90 days	120 days
Wheat basis (May) $1.96½ plus premium and carrying charge		$2.04½	$2.07	$2.09½
Wheat mixture cost for 4 bushels (35 pounds)		9.37	9.49	9.60
Operating expense		1.00	1.00	1.00
		10.37	10.49	10.60
By-products credits, regular extractions:				
Second clear	barrels, $5.05			
Low grade	tons, 34.75			
Bran	do, 22.75	1.16	1.16	1.16
Shorts	do, 25.25			
Cost of 191 pounds patent flour (bulk)		9.21	9.33	9.44
Cost of 200 pounds patent flour (bulk)		9.64	9.77	9.89
Package cost (98's cotton)		.32	.32	.32
Total cost, 200 pounds 95 per cent patent flour		9.96	10.09	10.21

The flour market.—Wheat premiums dropped noticeably early in the week, but have stiffened during the past two days. Prices paid for similar quality of wheat show more than the usual range. The following represents a fair cross section of the premium situation to-day: A 12 per cent protein mix, used in our cost card, is 8 cents over May; 12½ per cent protein wheat can be bought for 14 cents over, 11½ per cent for 2 cents over, and a mix ranging from 10.5 to 11.2 per cent costs from the May price to 3 cents under. Montana wheats frequently command from 3 to 5 cents premium over the above prices.

Stock of flour in dealers' and bakers' hands are light. Resales at low prices less evident than a week ago. Shipping directions show considerable improvement. Operation for the week has been above 70 per cent of capacity. Prices are steadier. Comparatively little forward selling. Prospect for flour sales during next few months looks encouraging. Mill managers, generally, are keeping on even keel and are viewing with less apprehension the high price levels. The short-time bookings policy has removed much of the cause for worry. Prices prevailing to-day (98's cotton), Minneapolis, are as follows: Family patent, $10.50; intermediate patent, $10.20; standard patent, $9.95; first clear, $8.50.

The feed market.—We have emphasized repeatedly the importance of playing safe on feed. The mill feed market has dropped $3.50 per ton from high point. This is a loss of 13 cents per barrel. We are using a $3 feed hedge again in our cost card. One mill is figuring a $4 hedge.

Relatively heavy feed sales have been made this week—about 19,000 tons—against 13,000 tons last week. We again urge the importance of merchandising rather than dumping feeds. Feed may advance a little later. We know of one jobber who booked a round lot for future shipment. But play safe, and use a $3 feed hedge. The weak cash corn market has pulled down the price on standard middlings. Early this week country bran sold as low as $27.50 per ton, and some city sales were made at $27.75. Feed for forward shipment has lost its earlier premiums. Prices are a little stronger to-day. The following is a fair cross section of values: Standard bran $28.50; standard middlings, $31; flour middlings, $35.50; and red dog, $40.50.

Condensed market cost card

[Market bulletin issued to clients by George Livingston, 603 Second Avenue, South, Minneapolis, Minn., Feb. 21, 1925]

		Market basis for shipments in—		
		60 days	90 days	120 days
Wheat basis (May) $1.78⅞ plus premium and carrying charge		$1.897	$1.923	$1.947
Wheat mixture, cost for 4 bushels (35 pounds)		8.70	8.82	8.93
Operating expense		1.00	1.00	1.00
		9.70	9.82	9.93
By-product credits, regular extractions:				
Second clear	barrels, $5.45			
Low grade	tons, 31.50			
Bran	do, 15.50	.89	.89	.89
Shorts	do, 17.00			
Cost of 191 pounds patent flour (bulk)		8.81	8.93	9.04
Cost of 200 pounds patent flour (bulk)		9.22	9.35	9.47
Package cost (98's cotton)		.32	.32	.32
Total cost, 200 pounds 95 per cent patent flour		9.54	9.67	9.79

The grain and flour market.—Light grain receipts have given firm tone to cash wheat market. Light buying by mills, however, has kept premiums at about same level as a week ago. If flour sales should pick up, premiums are likely to advance sharply. Indications are that milling wheats will become increasingly scarce as the season progresses, with corresponding higher premiums. More hard-winter wheat may be drawn here later by attractive premiums. There is a noticeable variation in judgment on premiums to-day, but the following represents a fair cross section. Our cost card is figured at 11 cents over for 12 per cent protein mix. A 12½ per cent protein is worth 16 cents over; 11½ per cent, 5 cents over; and 10.5 to 11.2 per cent mix can be bought at around the May option.

"The melancholy days have come, the saddest of the year"—you can supply the rest. Some mills are becoming nervous, and price concessions are being made to force business. There is hardly enough flour being sold to make a market. Sales for the past week were around 12 per cent of capacity, the lowest sales record of the crop year. Mill activity has dropped to around 60 per cent, a decrease of about 5 per cent from last week. Prices quoted to-day are noticeably out of line with cost figures. This may be due to one of several reasons—lower wheat standard, not using feed hedge, lower conversion, and profit margin. Whatever the reason, we stick by our figures. Prices quoted to-day (in cottons, Mpls.) are: Family patent, $9.80; intermediate patent, $9.45; standard patent, $9.20; first clear, $8.25; and second clear, $6.25.

The feed market.—Feed markets continued extremely heavy during the week, and wheat feeds showed a further break of $1.50 to $2 per ton. Offerings of all grades of mill feeds were in ample supply, and the consumptive demand remained extremely light.

Jobbers who are still long on feed have not given up hope that sometime between now and grass an active demand for bran and middlings will develop. But at present there is absolutely nothing in sight to give much encouragement to folks long on feed. Nominal prices to-day, Minneapolis basis, are: Standard bran, $22; pure bran, $22.25; standard middlings, $23.50; flour middlings $28; red dog, $38.

In the bulletin of January 31, 1925, the total cost of 200 pounds of 95 per cent patent flour for shipment in 60 days is shown as $9.96, and the prevailing price of 196 pounds standard patent as $9.95.

In the bulletin of February 21, 1925, the corresponding cost and price are shown as $9.54 and $9.20.

In other words, the prevailing price of 196 pounds of flour was 1 cent less than the cost of 200 pounds of flour on January 31, while on February 21 the price was 34 cents less than the cost, according to the data on Mr. Livingston's bulletins.

In explaining the price being so much below the cost on February 21, Mr. Livingston gives the possible reasons as follows: "Prices quoted to-day are noticeably out of line with cost figures. This may be due to one of several reasons—lower wheat standard, not using feed hedge, lower conversion, and profit margin. Whatever the reason, we stick by our figures." This is, of course, an admission by Mr. Livingston that his figures for wheat-mixture cost, feed credit, and operating expense may result in arbitrarily high so-called costs and do not reflect the actual costs of northwestern mills.

The inflated character of Mr. Livingston's so-called costs is indicated by the following letter from the vice president of the King Midas Mill Co., Minneapolis, Minn., to Mr. Livingston under date of December 11, 1924:

> As you know, the members of the Southern Minnesota Mills report daily to the secretary of that organization the sales made for the previous 24 hours, together with prices at which the business was taken, these prices being reduced to a basis of 95 per cent flour. These reports form the basis for a consolidated report issued by the secretary daily to all members, on which the individual sales are tabulated.
>
> The comparisons between the prices at which the sales are actually being made, and the costs shown by the charts which you are issuing each week, are interesting. We believe that your cost charts are accurate and substantially correct, and we find that they correspond very closely with our own cost figures. We believe that the figures shown on your chart represent approximately the average cost of producing flour in all of the mills of the Northwest. It is rather discouraging to note that the average price at which the members of the Southern Minnesota Mills have taken b usiness during the fall months has been all the way from 8 to 50 cents per barrel b elow a reasonable cost basis.

	Cost as per Livingston chart	Average selling price		Cost as per Livingston chart	Average selling price
Oct. 18	$7.50	$7.15	Nov. 29:		
Oct. 22	7.34	7.03	60 days	$7.66	$7.33
Oct. 25	6.99	6.91	90 days	7.77	----------
Oct. 30	7.00	6.91	120 days	7.88	----------
Nov. 8	7.46	6.76	Dec. 6:		
Nov. 15	7.75	7.24	60 days	7.96	7.52
Nov. 22:			90 days	8.08	----------
60 days	7.64	7.27	120 days	8.19	----------
90 days	7.75	----------			
120 days	7.86	----------			

The fact seems to be that Mr. Livingston's figures are inflated specification costs, while the mills associated in the Southern Minnesota Mills based their prices on their actual uninflated costs at that particular period.

One of Mr. Livingston's items of cost, namely, operating expense, or conversion cost, remained fixed at $1 from September 27, 1924, to February 21, 1925, the latter being the last bulletin obtained. In discussing his costs, in the bulletin of September 27, 1924, Mr. Livingston stated: "Assuming an arbitrary figure of $1 per barrel for operating expense, the cost of 200 pounds of straight flour and 75 pounds of feed is $7.62."

Whether the prevailing flour prices shown by Mr. Livingston in his market bulletins accurately reflect such prices or not, certain it is that one of the "clients," Walter Stern, president of Bernhard Stern & Sons, Milwaukee, Wis., wrote Mr. Livingston, in part as follows on November 12, 1924:

> May I be permitted to suggest that reference to sales made on a low conversion charge may react unfavorably for the general good in probably encouraging a weak subscriber to accept a less conversion charge than if he were informed of many sales that are made with a proper conversion charge.

Southwestern section.—The milling companies and millers' associations of the Southwest have been active in cooperating on the elements making up the prices of wheat flour, especially costs.

This matter was under discussion in Nebraska in 1922, as is shown by a letter dated July 31, 1922, from the York Milling & Grain Co., York, Nebr., to the Nebraska Millers' Association, Omaha, Nebr., reading, in part, as follows:

> We did not intend to convey the idea that we favored the control of prices by mills in Nebraska, unless all of us were ready to take up duties at Leavenworth, but in order to save our properties, we did think it time to observe and maintain certain costs entering into the manufacture of flour and other wheat products, to give us back only and to wire our daily minimum price to you the moment we consummated any sale regardless of quantity, which in turn would be given to members by wire from your office. Such members in turn would act according to their own judgment.

The subject was brought up again in the Southwest in 1924.

On April 10, 1924, E. L. Stancliff, general manager of the George P. Plant Milling Co., St. Louis, Mo., wrote R. C. Sowden, president of the New Era Milling Co., Arkansas City, Kans., in part, as follows:

> There is only one policy that I believe could be uniformly acceptable to all millers and at the same time be workable and that is to understand thoroughly

what the minimum cost of manufacturing a barrel of flour is. That can be 75 cents or it can be $1 per barrel and if plants were operated with that understanding it would be easy for those of us who try to make a superior quality of flour to get an honest price for it.

I plan to be in Kansas City at the meeting of the Southwestern Millers League unless something interferes, and I hope that I shall have the pleasure of seeing you there.

In a bulletin dated April 26, 1924, J. N. Campbell, secretary of the Nebraska Millers Association, described the discussion of costs at a recent meeting of the millers of the Southwest held at Kansas City, as follows:

President Hoffman, of the Kansas Flour Mills Co., presented his ideas in regard to how to figure costs of flour production and sales which we know will be interesting and useful to millers as a check on figures they have worked out for themselves. These costs must vary as affected by location, quality of equipment, and ability of management. Mr Hoffman said: Figure 4.6 bushels of 12 per cent protein wheat to the barrel of flour, at market price. Deduct net worth of 53 pounds of bran and 27 pounds of shorts to get net cost of the wheat. Conversion costs must be based on a 12-hour day operating time. They can not be less than 65 cents a barrel, and a great majority of the millers consider 80 cents much nearer right.

Minimum cost of sales made by travelling salesmen is 25 cents and may have to be estimated as high as 35 cents per barrel. Sales to brokers in round lots must carry at least a commission of 15 cents.

Figure 95 per cent flour at 20 cents over straight; Long patent, 30 cents, and patent at 50 cents above straight. Add sacks and freight to destination.

On long-time sales, Mr. Hoffman said, they expected to or would make long-time sales of four to six months on a basis of cost, profits, and carrying charges, but in estimating cost of wheat he puts the premium figure at 7 cents above the July option at Kansas City, and feed prices estimated at $14 to $15 per ton.

Manager Harry Randall, of the Midland Milling Co., said that conversion costs were about 81 cents; sales costs, ranging from 24 to 36 cents per barrel. The industry would fare better if no forward sales were made beyond 60 days and drafts should carry interest charges for the time they were out. He said the mills at present are making practically no sales at a loss. They are abandoning the habit.

Two other millers expressed the opinion that conversion and office expense should be about 85 cents per barrel, 15 cents for sales to bakers and brokers and 25 cents for salesmen.

Mr. Martin Ismert said that the I-H company positively would not make any forward sales beyond 60 days no matter what other mills might do. No contracts should be booked on new crop before June 15.

Reports submitted by members of the Kansas Flour Club for the week just past showed average capacity sold by the mills reporting of only 22 per cent, of which sales 96 per cent were of the A class, showing a profit; 4 per cent were in the doubtful B class, and no C sales at all.

On May 17, 1924, C. V. Topping, secretary of the Southwestern Millers' League, Kansas City, Mo., wrote to Mr. Campbell, as follows:

I am very sorry that you were not at the meeting yesterday, and no doubt you will get in touch with Mr. Abbott and he will give you all the information in regard to the meeting.

But for fear that he may not advise you fully I want to say that while the terms and long-time bookings were discussed, we did not get anywhere in the way of correcting or reducing the time. Three or four of the big mills of Kansas City advised that under favorable conditions and to the right kind of parties they would book flour as much as six months in advance. They were open and frank in their statements, so they can not be criticized in saying what they would do, and it put everyone on their guard to know just what the conditions would be. We hope to correct and reduce these long-time bookings by the work that we have outlined.

The meeting went on record as favoring very strongly group meetings weekly, and we are arranging for four groups in Kansas, and Mr. Abbott rather discouraged the idea of having more than one group in Nebraska, and [that] group to be

Omaha. I do not quite agree with Mr. Abbott on this plan, as I feel that you might be able to form another group, taking in your large mills such as Gooch, Crete, Black Bros., and mills of that class, and make this group either Lincoln or around in that district among these mills. Then, of course, the Omaha meeting could be held and information exchanged.

The idea of this is to report at all of these meetings the A, B, C class sales by each mill and be free and frank with each other in discussing these problems and find out on what conversion charge they arrive at A, B, and C class sales. Have a definite plan and program for each meeting, so that it will insure attendance. These group meetings will gradually spread and will benefit your local organization as well as the league.

The Kansas City millers meet every Tuesday noon at luncheon and are doing some very fine work. The information obtained at the Kansas City meeting will that night be disseminated to all of these groups who have appointed a chairman or secretary, and it is thought that the interior or the mills outside of Kansas City should meet either Wednesday or Thursday so as to have this information fresh. Then each group meeting will have a list of the different groups, and the secretary of each group will mail the others information and report of their group meeting. This will then be disseminated among the members, so that you are going to have some very valuable information and without any additional cost.

That is the big talking point of such a group organization.

I hope that you will go ahead and organize at least one interior group outside of Omaha, as I feel the interior mills may have a delicacy about attending the Omaha meetings and give freely the information, and possibly the Omaha mills may not feel perfectly free in giving the interior mills at a luncheon or at one of their meetings. But you can do this through your group meetings.

The Kansas, Oklahoma, Missouri secretaries were here, also Texas.

The following memorandum was secured from the files of the Kansas Millers Club, Wichita, Kans.:

We, your committee, respectfully recommend:

1. Regular weekly meetings at all milling centers.
2. The adoption of the A, B, C plan with some modification as to defining more definitely the meaning of the different classes. This work is now in the hands of the subcommittee, who will probably make their recommendations this week.

The A, B, C reports are the basis for these weekly meetings. Everyone should bring with them their report. Should they find it impossible to be present their report should be mailed so that it could be read at the meeting.

3. Exchange of information between all sections—a full and complete report of the local meeting should be made immediately following each meeting to the secretaries of local meetings in other sections.
4. Do not act on reports received from traveling salesmen, brokers, or buyers until confirmed. Use the telephone freely; there is altogether too much misinformation.

Regular weekly meetings are now being held in Kansas City each Tuesday noon at the K. C. Club, at Wichita every Thursday noon at the Lassen Hotel, at Hutchinson every Friday evening at the Stamey Hotel, and at Salina or Abilene every Saturday noon at the Salina Country Club or the Abilene Club. Regular weekly meetings are also being held in Oklahoma City and Omaha. All of these meetings have been well attended and are most interesting. The exchange of reports between the different sections read at these meetings gives everyone a good idea as to trade conditions.

This movement is not confined to the Southwest but extends over the entire country.

A conference of all milling clubs' secretaries has been called for St. Louis Thursday, June 12, 1924, for the purpose of closer cooperation and the dissemination of information between the different sections of the country.

It was the consensus of the opinion of the special committee that the holding of regular weekly meetings at all centers would be more convenient for most of our members, as it would give the millers of the different sections an opportunity to become better acquainted with each other and discuss their own local trade conditions, which, together with the general information received from other sections, would make these meetings worth while.

If you can not attend these weekly meetings your A, B, C report should reach Wichita Thursday morning, Hutchinson Friday morning, and Salina Saturday morning.

On June 11, 1924, R. E. Sterling, associate editor of the Northwestern Miller and secretary of the Kansas City Millers Club, wrote to Walter Stern, of Bernhard Stern & Sons (Inc.), Milwaukee, Wis., as follows:

I very much appreciate your most interesting letter of the 5th, mentioning certain bad practices and evils in the trade which we might properly comment on in the Miller.

All of the things which you mention are undoubtedly, and most unhappily, true. I do believe, however, that conditions are improving. Naturally my own immediate contact is with millers here in the Southwest, and among these I am positive there is a very much better feeling about conditions and very much greater determination to go forward on sounder lines than those which prevailed, especially last year. I can best describe this by saying it is a sort of spiritual regeneration. There are no new rules and certainly there is nothing in the form of any sort of agreement, but all of our millers, or nearly all of them, have a quite unprecendented amount of determination to bring about a new and more wholesome situation in the industry.

Not a little of this has been accomplished by a certain sort of leadership which has been exercised by the millers of Kansas City. Last October we began meeting together at luncheon on Tuesday of each week. For a time there would be only five or six, but as things went along the attendance increased and now there is every week at least one and very often two representatives from every mill here, with one exception. Not only that but we make a point each week of trying to have one or two millers in from out of town.

Following the example of Kansas City millers, the millers in the neighborhood of Salina, those in the neighborhood of Wichita, and those in and about Hutchinson have adopted the same practice. Once in a while one or two of our millers from here will go out to visit with them.

Please understand that in all of this there is nothing said and certainly nothing done which might not be subject to the fullest publicity. We simply discuss trade conditions and exchange experiences. We do not exchange price information or anything of that sort. A few weeks ago, however, we did begin discussing new-crop sales and have within a short time built up a very definite feeling among millers in opposition to new-crop sales based on guesses on new-crop wheat prices. As a matter of fact, the thought has rather become frozen around the probable wheat cost of 7 cents over our September, with feed figuring on a basis of $12 per ton, bulk, Kansas City.

It may be that here and there millers are taking a chance and disregarding this sound basis of reckoning costs, but I do not believe there will be any panic to follow these few misguided mills.

Friday of this week three or four millers are going to meet with the millers at St. Louis and try to get them to get together in the same fashion, illustrating its advantages by telling them what we have done out here.

There is, you will understand, no association or organization. We are simply trying to draw a little bit closer together, and so far the results have certainly been highly beneficial.

I have been trying in the columns of the Miller to bring out this thought right along. I mean the thought that milling conditions are not going to be improved by seeking for some new form of machine or depending in any degree upon mechanics. Rather, I feel that better conditions will come out of better methods of thinking, a sort of new philosophy in which making a reasonable profit is to be regarded as more desirable than beating a competitor to an order.

I do not feel so strongly against long-distance sales as I do against the prices at which long-distance sales are made. There is no real harm in selling flour to a baker for shipment over a period of 10 years, providing the price is right and the man has sufficient moral and financial strength so that you will be sure he will keep the contract. I think millers are going to continue to sell to bakers over a period of several months—perhaps not to exceed six—but if they get a price which will enable them to afford to do this no real harm is done. So far as I know, few millers sell to jobbers and distributors for shipment through a long period of time.

Personally I have greatest confidence in the immediate future of milling. I do not mean next year or the year after but I mean right now. I understand that the millers of the Northwest are getting themselves in better shape and, as I said in the beginning, I know that our millers down here are set for a good year.

A memorandum bulletin, dated June 23, 1924, and signed by Frank Foltz, secretary of the Oklahoma Millers' League, Oklahoma City, Okla., reads as follows:

IMPORTANT NOTICE

At our meeting here last Thursday night it was announced that our next group meeting would be held on Wednesday afternoon, June 25, at the office of the El Reno Mill & Elevator Co., at El Reno, Okla. We have since then received notice that the third annual meeting of the Kansas Millers' Club will be held at Newton, Kans., on Thursday afternoon, June 26, at the Arcade Hotel.

This will be a general meeting, and the Kansas Millers have extended an invitation to all millers in the Southwest to attend this meeting. Mr. Stevens informs me that all of the other groups—viz, Wichita, Hutchinson, Salina, Abilene, and Kansas City—have agreed to postpone their regular group meetings for this week and attend the general meeting at Newton on Thursday, the 26th, and submit their sales reports at that meeting.

After talking this matter over with our president, Mr. Ford, and some of the other Oklahoma millers it was decided to cancel our group meeting at El Reno and invite all of the Oklahoma millers to attend the meeting at Newton, on Thursday, and submit their sales reports at that meeting.

The meeting will be called at 2 o'clock. The first hour will be devoted to a general informal discussion of the new wheat crop situation. From 3 to 6 o'clock will be alloted to the sales managers for the exchange of information regarding trade conditions.

I hope that all of the Oklahoma mills will be represented at the Newton meeting, and be sure and bring your A, B, C reports for last week. If for any reason you will not be able to have a representative at the meeting, kindly mail your reports to me so I will receive them not later than Wednesday afternoon, and I will submit them at the meeting.

All those who expect to attend the Newton meeting will please mail their acceptance for the 6 o'clock dinner to Mr. George A. Norris, care of Newton Milling & Elevator Co., Newton, Kans. Please attend to this at once, so that they may know how many reservations to make for the 6 o'clock dinner.

On July 29, 1924, the Kansas Millers' Club, Wichita, Kans., sent out the following:

CONFIDENTIAL NOTICE

The dissemination of reliable information is necessary in the furtherance of trade in legitimate competition.

Through our weekly group meetings we have the most authentic exchange of information we have ever had, more than 85 per cent of the total production are now reporting. Let's make it 100 per cent.

It was the unanimous opinion of the members reporting that millers who fail to make reports are not entitled to receive the general information, and we are ordered to confine our market letters only to members who are reporting. So if you are not reporting through some group meeting, it will be necessary to send your weekly A, B, C reports direct or we can not send you any further market letters. Of course everyone should attend the group meetings if possible. Certainly all will be glad to do their part in this great work. Unless your reports are received this will be the last market letter you will receive.

The A, B, C reports referred to in the above confidential notice contained the following information:

Your A, B, C committee report as follows:

Determine first the cost of flour at the mill by subtracting from the cost of the wheat used the value of the feed and adding or subtracting to the answer the customary differential to cover the grade sold. To this figure add the cost of selling, also cost of packages, if any, and freight, if any. This figure we will term "Cost, excluding conversion charge."

On each sale subtract this "Cost, excluding conversion" from the sale price. The remainder will be known as the "Conversion charge" and be the basis for the A, B, C report.

Report as follows:
1. Sales carrying conversion charge of $1 or more.
2. With conversion charge between 90 cents and $1.
3. Between 80 and 90 cents.
4. Between 70 and 80 cents.
5. Between 60 and 70 cents.
6. Under 60 cents.

Conversion charge is the margin left in the selling price to cover expense, including depreciation, and profit after ample allowances have been made for cost of wheat, value of feed, cost of packages, freight, the grade of the flour, and whatever selling expense applies to the particular order.

A sample of the summary reports made for members in February, 1925, by the secretary of the Kansas Millers' Club, Wichita, Kans., is shown below:

Flour sales reported during the week

	Capacity sold	A (good)	B (fair)	C (poor)
	Per cent	*Per cent*	*Per cent*	*Per cent*
Missouri River	90	80	19	1
Southern Kansas	56	92	8	0
Central Kansas	67	78	18	4
Northern Kansas	43	95	5	0
Oklahoma	32	69	25	6
Nebraska	85	85	15	----------
St. Louis	65	87	13	----------

Range of prevailing values in straight or mixed cars with feed delivered Kansas City rate points

High patent	10.40, at 10.60 basis 48-pound cotton.
Standard patent	9.80, at 10.10 basis 48-pound cotton.
Bran	1.45, at 1.50 per hundredweight.
Mixed feed	1.60, at 1.65 per hundredweight.
Gray shorts	1.75, at 1.80 per hundredweight.

Mr. Chauncy Abbott, jr., as chairman of the group of millers of eastern Nebraska, explained the salient features of the group system of weekly millers meetings at the principal milling centers of the Southwest.

The exchange of information at these sessions as to volume of sales and percentages of profit and loss sales and operating time has been of immense benefit to the industry in sustaining morale, eliminating evil trade practices, and building up a businesslike system of trade terms.

These conferences take a wide range in the discussion of cost for accounting which includes the probable shift of mill-feed values, markets for clear flours, cost of bags, credits, and policies to be followed in making forward commitments, all of which is an invaluable ethical education in the art of milling wheat and marketing the output so as to lessen production costs.

The technic [technique] of the flour-milling industry is gradually changing for the better, and it is necessary for millers to keep fully abreast of all progress in order to be successful.

Do not overlook general meeting of the southwestern millers at Wichita, Wednesday, February 11, Lassen Hotel.

KANSAS MILLERS' CLUB.

WICHITA, KANS., *February 3, 1925.*

An explanation of the A, B, C symbols is given in the following plan proposed at the October 12, 1923, meeting of the Millers' National Federation, by R. E. Sterling, associate editor of the Northwestern Miller, and secretary of the Kansas City Millers' Club:

A, B, C PLAN—PROPOSED BY R. E. STERLING

Millers have for months been compelled to sell a substantial part of their flour production near to, at, or below cost. These unprofitable sales have been thrown into the general sales account in the hope that there would be a sufficient amount of current or future business available at a profit to bring the whole volume to an earnings basis.

Every miller has a certain, if variable, amount of trade, in which there is a reasonably dependable profit; but there is constant danger that the unprofitable "volume" business will grow at the cost of the profitable trade, and the price level so created finally result in actual loss on the whole.

It is suggested that an effort be made to establish among all millers the practice of frankly and fairly classifying their sales of flour, designating them as "class A," "class B," and "class C." For the purpose of this division, sales should be listed in accord with the following definitions:

Class A: Domestic "family trade," mill brands, actually profitable bakery distribution, and all other sales fairly representing a sound milling profit based on cost of wheat, cost of manufacture at normal rate of mill operation, and actual selling.

Class B: Volume business carrying an apparent profit but booked largely or solely to insure operation and containing factors of uncertainty in wheat cost, feed prices, etc., which make the business of doubtful profit and possible loss.

Class C: Sales in which there is a known loss and which are booked solely to insure mill operation.

Sales departments, in booking and entering business, should be required to list each sale in its proper class, and unfilled orders should be continuously carried forward under their proper listing.

Every effort should be made through milling organizations, trade publications, and in meetings of millers to establish this practice of classification of sales as a part of the business practice of every flour mill.

To an agent of the commission in December, 1924, Mr. Sterling stated that he started the A, B, C plan with the idea of each man having it for his own information only, and then it was decided to pass the information around to help stiffen up the other fellow. Members of the Kansas City Millers' Club reported their A, B, C sales to Mr. Sterling, who tabulated them on cards. Some of the members would count a sale good, or A, while another man with a high conversion cost would count it only fair, or B; hence the figures were hardly comparable. For this reason some members wanted to have the conversion costs stated at the time the A, B, C sales were reported, but he was opposed to that as he was afraid they would get into trouble by going too far.

Frank Foltz, secretary, Oklahoma Millers' League, Oklahoma City, Okla., stated to an agent of the commission in December, 1924, that he gathered and gave out data on the A, B, C plan. This was done at the meetings and no record was kept of it.

F. D. Stevens, secretary Kansas Millers' Club, Wichita, Kans., stated to an agent of the commission in December, 1924, that their club gathered from its members and distributed to them A, B, C information.

In January, 1925, H. L. Beecher, president, Eagle Roller Mill Co., New Ulm, Minn., stated to an agent of the commission that his company had been using the A, B, C plan recently as much as they could. The A sales run fully 80 per cent; their B sales 15 per cent; their C sales less than 5 per cent. They do not keep a separate tabulation of them.

Wheat and package costs charged in at current market prices.—F. D. Stevens, secretary Kansas Millers' Club, Wichita, Kans., stated to an agent of the commission December, 1924, that the club never urged its members to use any definite cost figure, but had collected and distributed the costs of certain mills that were willing to furnish them. The costs reported were based on the running time which was much less than the maximum. They also endeavored to have wheat charged into costs at the usual premium over the Kansas City market, which usually was 4 or 5 cents per bushel.

Among the mills in the various flour-milling sections visited by agents of the commission the following stated that in arriving at a flour quotation they charge wheat and package costs in at the market price of the day for which the quotation is made. In a few cases, as noted, only wheat cost was mentioned as being charged in at current market price.

Commander Mill Co., Minneapolis, Minn.
Eagle Roller Mill Co., New Ulm, Minn.
Duluth-Universal Milling Co., Duluth, Minn.
King Midas Milling Co., Minneapolis, Minn.
International Milling Co., Minneapolis, Minn.
Duluth-Superior Milling Co., Duluth, Minn.
Big Diamond Mills Co., Minneapolis, Minn.
Empire Milling Co., Minneapolis, Minn.
Wabasha Roller Mill Co., Wabasha, Minn.
Minneapolis Milling Co., Minneapolis, Minn.
Federal Mill & Elevator Co., Lockport, N. Y. (only wheat cost mentioned).
Wm. Hamilton & Son, Caledonia, N. Y. (only wheat cost mentioned).
United Mills Corporation, Grafton, Ohio (only wheat cost mentioned).
Colton Bros. Co., Bellefontaine, Ohio.
Gwinn Milling Co., Columbus, Ohio. (only wheat cost mentioned).
Mennel Milling Co., Toledo, Ohio (only wheat cost mentioned).
Blish Milling Co., Seymour, Ind. (only wheat cost mentioned).
Acme-Evans Co., Indianapolis, Ind. (only wheat cost mentioned).
El Reno Mill & Elevator Co., El Reno, Okla.
Nebraska Consolidated Mills Co., Omaha, Nebr.
Kansas Milling Co., Wichita, Kans.
Topeka Flour Mill Co., Topeka, Kans.

Federation code of ethics.—At its annual meeting in Chicago on April 16 and 17, 1925, the Millers' National Federation adopted a code of ethics, containing the following provisions regarding the elements making up the price of flour:

It is recommended that sales prices reflect cost plus a profit, based on the cost of replacement of raw material and a cost of operation and sales reflecting a normal average capacity actually operated by the industry, not exceeding 55 per cent.

Section 7. Agreements, understandings, or cooperation to fix the terms of sale.

The Millers' National Federation has adopted selling terms from time to time, especially uniform carrying charges per barrel on forward sales of flour and uniform differentials in the prices of flour sold in the different kinds and sizes of packages or containers.

Forward delivery and carrying charges, selling prices, and terms of sales are closely related to each other, as is indicated in a letter of September 26, 1923, from Charles L. Roos, of the Hunter Milling Co., Wellington, Kans., to Carl W. Sims, of Frankfort, Ind.:

It is my opinon that at the Chicago meeting we will have to consider the sales contract along with the other matters that are now of such vital interest to millers. It is needless to tell you that many millers have exceeded the speed limit, not only in the price at which they have disposed [of] their product, but in the terms they have given. Sixty days' delivery does not seem to be considered time enough. Your committee is just as important as any and its action is bound to have an effect on the future conduct of the milling business.

It is our intention to have the October meeting a strictly business one, to discuss frankly and freely the necessities of the trade and to have the members in attendance formulate rules of conduct and business. It is not the intention to have any publicity about these matters and that is why it has not been advertised in the press.

Mr. Roos was then president of the Millers' National Federation and Mr. Sims was chairman of the committee on sales contracts.

The Chicago meeting referred to in Mr. Roos's letter was the m eeting of the federation held on October 12, 1923, which has already been described. (See p. 362.)

Northwest section.—In regard to this Chicago meeting, W. H. Cahill, sales manager of Bernhard Stern & Sons, Milwaukee, Wis., wrote to H. S. Helm, of the Russell-Miller Milling Co., Minneapolis, Minn., on October 23, 1923, as follows:

Under date of October 15 we were advised by our West Virginia representative that the Russell-Miller Milling Co. was offering flour to certain baking trade in West Virginia, for shipment through May, without carrying charges.

The writer recently attended the meeting of millers at Chicago and feels that it is not out of order for us to ask you the question as to whether the information we have received is correct. We shall be very glad at any time, under similar circumstances, to answer questions you might feel inclined to put to us as to our quotations or practices in quoting.

We are at present, and for several weeks past have been, restricting our sales to shipments within 60 days, and only in extreme cases shipment within 90 days at our current quotations. In any isolated instances, where we book for shipment beyond 90 days, our salesmen have instructions to add to our current quotations 10 cents per barrel per month carrying charges, but in all instances we are doing all possible to discourage long-time bookings.

A meeting of millers was held in Minneapolis, Minn., late in November, 1923, at which long-time deliveries and carrying charges were discussed. In a circular letter dated December 1, 1923, G. M. Palmer, president of the Hubbard Milling Co., Mankato, Minn., and also president of an association known as the Southern Minnesota Mills, described this Minneapolis meeting in part, as follows:

A most important conference was held on Saturday last in Minneapolis. Mr. Bell, of Washburn-Crosby, Mr. Loring, of Pillsbury Milling Co., and Mr. Helm, of the Russell-Miller Milling Co., were in attendance and addressed the meeting.

You are familiar with the demoralization existing in the milling business by which flour is sold at cost and less, and terms given not warranted by good business practice, and sales made for long-time deliveries, notwithstanding the fact that to do so means assuming a heavy carrying charge which can not possibly be avoided.

Country mills have felt that the large Minneapolis mills were at least as great offenders as any, and it was with surprise and satisfaction that we had the positive assurance of Mr. Bell that they would not sell flour without a margin, that they would not sell beyond 60 days without a carrying charge, and that they had fully determined to make a profit on everything they sold, and had given up the idea that they would run their mills full time anyway. Mr. Loring agreed substantially with Mr. Bell, and Mr. Helm thought now was the time for our members to take these Minneapolis mills seriously and see if better conditions could not be brought about.

A. C. Loring, president of the Pillsbury Flour Mills Co., Minneapolis, Minn., is the Loring referred to in the first paragraph of the above letter. On December 13, 1923, Mr. Loring wrote to Walter Stern, president of Bernhard Stern & Sons (Inc.), Milwaukee, Wis., in part, as follows:

I have had hopes that we might possibly reach an agreement as to methods of conducting business, placing them on a sound, practical basis as to terms and conditions of sale and the enforcement of same, that might work out materially

to our advantage. We are all interested in conducting business on good, sane, sound principles, and we should be able to agree on what those principles of doing business are. It is insane, in my judgement, to sell flour as it has been sold this year, and yet competition has been responsible for it in part. There is nothing, as I understand it, illegal in agreeing on the terms on which flour should be sold to all customers, and the period of time which they should have in which to take it out; but I am not oversanguine on millers arriving at anything that can be depended upon.

In spite of Mr. Loring's being "not oversanguine on millers arriving at anything that can be depended upon," it appears that by the late summer and fall of 1924, an arrangement had been made among important northwestern milling interests upon forward sales of flour and carrying charges.

On August 18, 1924, D. K. Yerxa, branch manager of the Pillsbury Flour Mills Co., at Buffalo, N. Y., wrote to W. H. Cahill, sales manager of Bernhard Stern & Sons (Inc.), Milwaukee, Wis., in part, as follows:

I have taken up with our Philadelphia office since writing you and find that my assumption was perfectly correct, namely, that no salesman of ours in the Harrisburg territory at or near the time you referred to or since has quoted any carload baker Pillsbury's Best or any of our other brands for shipment as late as April 1 or near it. We are holding our boys to January 1, and if the buyer insists upon trading for later shipment we are figuring a full carrying charge, and it is our intention to continue this policy throughout the crop year, as we, like yourselves, most certainly wish to do our bit to improve the rather deplorable conditions, particularly from the standpoint of long-time bookings, that have surrounded the milling business for a number of years past; and, furthermore, like yourselves, feel that the matter is very much in the hands of the mills themselves, and therefore if any one of us have let down the bars we are very foolish, indeed.

On September 17, 1924, J. K. Mulliken, of the Washburn-Crosby Co., Minneapolis, Minn., wrote to Mr. Cahill, in part, as follows:

We are securing carrying charges either by the month or in the price on all sales we are making after January 1 shipment.

Just recently we sold a baking concern a round lot of flour for delivery prior to January 1, with the distinct understanding—in fact, it is embodied in the contract—that they would pay 10 cents per barrel per month for all flour delivered after the above date.

Within the writer's knowledge it is the first time this firm ever agreed to pay a cent carrying charge and we have been doing business with them for a number of years.

Of course, in selling for future shipment, we must take into account certain carrying charges on wheat and the possibility of lower feed markets during the spring months. I think that we have amply provided for that in every sale we have made for future shipment.

In a declaration of principles and policies adopted by the Millers' National Federation at a meeting in Chicago on October 8 and 9, 1924, the following is given among the objects to be definitely undertaken and the purposes to be served by the federation:

To secure the general adoption of the policies of the federation with respect to the application of carrying charges, subsequent to such free period as may be generally agreed upon, and the adoption of a standard sales contract approved by the federation.

On November 12, 1924, Walter Stern, president of Bernhard Stern & Sons (Inc.), Milwaukee, Wis., wrote to George Livingston, of the Livingston Economic Service, Minneapolis, Minn., in part, as follows:

I really believe that quite a few of the millers are decidedly lacking in backbone, and this is not only true of the smaller miller but also some of the larger millers. You will recall that Mr. Mulliken said at the meeting that they could not add in their contracts for shipment beyond 60 or 90 days, the specifications that a carrying charge of 10 cents per barrel per month would be added for shipment thereafter, because some of the buyers would refuse to buy on such terms. It appears to me that this was a very weak admission, and that it would be better if the millers would conclude that if a sufficient number would absolutely agree to make sales only for shipment not later than 90 days, and that when shipment would extend beyond such time a carrying charge of 10 cents per barrel per month would be added to the price.

I wonder whether I am right that the millers could in a perfectly legal manner enter into an agreement that no sales would be made for shipment beyond 90 days except where a carrying charge of 10 cents per barrel per month would be added to the price beyond such period. Some of the mills, especially the large ones, fear the matter of coming in conflict with the law and thereby causing them some unpleasant notoriety on the part of the activity of governmental representatives. It seems to me that trade practices probably would not come under the restriction of the law as far as entering into an absolute agreement with reference thereto is concerned.

If a sufficient number of mills and representative concerns actually signed an agreement not to sell for shipment beyond 90 days, except where a carrying charge of 10 cents per barrel per month is added to the price, Mr. Mulliken and others would have no difficulty in selling their buyers accordingly. It is my suggestion that information be received from some legal advisor as to whether such an agreement would in any manner conflict with any laws whatsoever. I am quite satisfied that there would be no conflict with any law in drawing up an agreement to comply with certain trade practices, but would like to have your reaction to this suggestion.

If such an agreement could be legally entered into and we had a sufficient number of mills to sign the agreement, and to have the same go into effect after a certain date and then have a circular printed that we could send out to our customers and all our sales representatives, you can readily see that we could make a complete turnabout-face in our entire industry in this matter. I would like to suggest, however, that such an agreement be made effective as of some future date, so that enough millers in all sections of the country could be corresponded with and get most of them in the fold. One thing is certain, that unless the millers, as a group, will make real honest-to-goodness efforts to improve trade practices, they will certainly never attain them. I am also entirely out of patience with the miller who stated that he could carry his wheat for 5 cents a barrel per month, as in making that statement he entirely disregards that the 10 cents per barrel per month carrying charge also should cover the risk that the miller takes with reference to the fluctuation of his cost by such important factors as feed, etc., when making contracts for future shipments.

A large part of the poor price level and grief to the milling industry can undoubtedly be ascribed to the practice of selling for shipment beyond 90 days. It can be readily seen that this is the breeding place for resales, cancellations on declines, etc.

Mr. Livingston replied to the above letter on November 17, 1924, in part, as follows:

I have read with a great deal of interest your comment on the matter of carrying charges. I am working on this, together with the matter of overhead, and am trying to get something formulated for the meeting on Wednesday. I hope you will find it possible to be here, and, if time will permit, I would enjoy talking over these things with you before the meeting in the afternoon.

On December 9, 1924, A. C. Loring, president of the Pillsury Flour Mills Co., Minneapolis, wrote to George M. Palmer, president of the Hubbard Milling Co., in part, as follows:

Answering that paragraph in your letter in regard to the progress being made by the executive committee, would say, after considerable discussion, it was thought best to put the subject entirely in the hands of Mr. Livingston, to see if he, by various conferences, could not arrive at some basis of adjustment. He was in our office for an hour or so yesterday afternoon, and he admits frankly that, so far, he has been unable to formulate any set of rules that the various mills would agree on, and was quite disturbed as to the development of the situa-

tion. He was also rather uncertain as to how far any rules could be formulated, and said that he would leave for Washington last night, for the purpose of getting in touch with officials there, to see how far an arrangement of this kind could go.

I feel now, and have always felt, that a movement such as proposed must be one of exceedingly slow development. You have years of competitive conditions and customs established in the trade that can only be ironed out slowly. I am still very strongly of the impression, could it be done, and we could get all the mills in the country to adopt it, that the best move we could make would be to sell all flour on the basis of four months' delivery, with one-third cent per day credit for each day the flour was ordered out prior to the end of the four months' period. I appreciate that it would be a very hard thing to do, and, yet, if it could once be established and this made the basis for selling flour, it would insure the miller a return for the expense that he now suffers through the nondelivery of flour.

I am more than pleased to have you write me, and assure you that the question of better terms and conditions will be given as full consideration as will be permitted by the attitude of the various concerns.

On December 10, 1924, James F. Bell, vice president of Washburn-Crosby Co., Minneapolis, Minn., wrote to Mr. Palmer, in part, as follows:

I don't know whether there have been any meetings during my absence, but I think these should be held frequently, particluarly in these dull times when slack business makes for disquietude.

I am hopeful, too, that our executive committee have been working along a plan through which the proper information may clear and whereby many of these apparent difficulties can be ironed out to the satisfaction of all concerned, as I feel this is a very critical time and we must all work together in a constructive manner if we are to preserve general morale in the industry.

On December 12, 1924, Mr. Palmer replied to Mr. Loring's letter of December 9, as follows:

I believe that it would be a good plan to have another meeting of the Spring Wheat Millers' Club as soon as Mr. Livingston can give report on the proposed code of ethics. Will you, therefore, kindly act as promptly as possible with Mr. Livingston when he returns, with a view of having a meeting called as soon as possible?

I believe, in these dull times, that it is quite essential that we have frequent meetings, as otherwise it is hard to hold some of our members in line.

On December 12, Mr. Palmer also replied to Mr. Bell's letter of December 10, in part, as follows:

There has been no meeting since the one you attended last. In correspondence with Mr. Loring he advised me that the attempt to frame up a course of ethics for our members had been turned over to Mr. Livingston and that Mr. Livingston had gone to Washington to consult with some people there in regard to what could be done along this line. I have been hoping this report would be forthcoming without much more delay as I realize that we should have frequent meetings, and I believe one is due at this time. I am writing Mr. Loring to-day to advise me at the earliest possible moment what progress Mr. Livingston is making with the view of calling the meeting as soon as possible.

On December 13, 1924, Mr. Loring replied to Mr. Palmer's letter of December 12, as follows:

I am in receipt of your favor of December 12, and upon Mr. Livingston's return will take the matter up and discuss it with him.

The situation, to my mind, is not improving. Mr. Livingston is having great difficulty in formulating any plan that can be agreed upon. I fear that our "friends down the street" have rather gotten "cold feet" on the proposition of a code of ethics, which is going to make it very hard to adjust. As you know, Mr. Livingston has gone to Washington, for the purpose of ascertaining how far, and in what way, an industry can go and be entirely within their rights.

Upon Mr. Livingston's return will be glad to take the subject up again.

On December 20, 1924, George Livingston, of the Livingston Economic Service, Minneapolis, Minn., issued the following special memorandum:

The executive committee of the Northwest Spring Wheat Millers' Club has received an invitation from Mr. H. G. Randall, acting in behalf of the southwestern millers to attend a joint meeting at Kansas City to discuss milling problems of mutual interest. I assume the executive committee will accept this invitation, since it offers an unusual opportunity to exchange views of important milling questions of special interest at this time to both sections.

I am informed that there will be a meeting of the Northwest Spring Wheat Millers' Club held in the near future, perhaps just prior to the conference with the southwestern millers.

The holiday season is slowing up the flour business, but most millers are accepting the situation without anxiety. Flour buying during this period of the year has always been at a low ebb, and there is nothing to be gained by trying to force buyers under present market conditions. Our survey leads us to believe buyers will be especially alert at this time to demoralize the present market situation. And any mill which yields to pressure of present holiday market conditions will be the victim of bargain terms, and consequently will restrict the booking of business on a fair basis after the holiday season. Now is the time to think of, and to begin the practice of, New Year's resolutions relating to sound business methods, and not the time to let the holiday spirit run away with good judgment.

According to a bulletin issued January 8, 1925, by Mr. Livingston, there were about 50 persons at the Kansas City meeting, "including President Sydney Anderson and representatives from Omaha, St. Louis, Salina, Hutchinson, Wichita, Oklahoma City, and Texas mills. The Northwest was represented by Messrs. Loring, Helm, Gallaher, Baldwin, Palmer, McClure, Mulliken, Cahill, and Vandenover."

Mr. Livingston described the discussion on terms as follows:

The meeting on January 6 at Kansas City of the executive committee of the Spring Wheat Millers' Club and representatives of the Southwest mills was characterized by harmony and good feeling. There is every indication that there will develop better understanding and closer cooperation between these two important milling sections. The meeting was informal and the discussion centered around the code of business ethics. Special emphasis was placed on forward selling, and the question of amending the federation's sales contract to provide for a uniform method of price quotations and application of the carrying charges was discussed at some length. The proposal receiving consideration was presented by Mr. Loring and involved the modification of the contract so as to base all price quotations on 120-day shipment with a discount of one-third cent per barrel for each day flour was ordered out before the termination of the contract. The proposal received sympathetic consideration, and by resolution the matter was referred back to the several group meetings which are held from time to time in the Southwest for consideration and later presentation at the April meeting of the Millers' National Federation.

R. W. Goodell, vice president of King Midas Milling Co., Minneapolis, stated to an agent of the commission in January, 1925, that "we assess a carrying charge of one-third cent per barrel per day on all flour sold but not delivered."

A. L. Hale, general manager of the Commander Mill Co., Minneapolis, stated to an agent of the commission February, 1925, that the sales contract of the company provided for a charge of 10 cents per barrel for each 30 days the contract is carried beyond the contract period, but that the company made no collection for carrying charges during 1924.

Officials of the Wabasha Roller Mill Co., Wabasha, Minn., stated to an agent of the commission in March, 1925, that they charged one-third cent per day per barrel carrying charge, as recommended by the National Federation.

No further information regarding activity by northwestern mills on selling terms was secured until at the April, 1925, meeting of the Millers' National Federation in Chicago, which is described on page 415 below.

Southwestern section.—The mills in the Southwest apparently became interested in establishing uniform selling terms on flour in the spring of 1924, as the earliest information secured on this point in this section was for April, 1924.

On April 11, 1924, C. V. Topping, secretary of the Southwestern Millers' League, Kansas City, Mo., wrote to T. L. Hoffman, president of the Kansas Flour Mills Co., Kansas City, Mo., as follows:

I talked with you some time ago and you explained quite fully your method of handling time sales.

There is a great deal of talk now and we are getting ready for the new crop, and I feel that the Southwest should take a stand and get together on some kind of a proposition so that all of the mills sell and adopt a uniform basis whether it be six months or [a] year. There should be an established and uniform basis for charging for this long-time booking, and I think your plan contemplates a certain amount to be added for each month as a carrying charge and in the event that the flour is taken out before the contract time, credit is given the buyer.

It seems to me that something of this kind could be worked and the plan adopted by all, and if we can agree on the basis it might be put over in other sections of the country.

My idea in writing you is that you handle this topic at our meeting on the 23d, as I am leaving this evening for Washington and I will not have an opportunity to see you and talk it over. I have talked the matter over with Mr. Martin Ismert and had a short talk with Mr. Hardensburgh, and I believe that some good plan can be worked out and adopted and will be of great benefit to the millers.

I will appreciate it very much if you will go into this matter and be prepared to present something tangible to the meeting.

The meeting referred to above was held at Kansas City on April 22 and 23. According to a bulletin issued on April 26, 1924, by J. N. Campbell, secretary of the Nebraska Millers' Association, Omaha, Nebr., the following statements were made regarding selling terms:

On long-time sales, Mr. Hoffman said, they expected to or would make long-time sales of four to six months on a basis of cost, profits, and carrying charges. * * *

Manager Harry Randall, of the Midland Milling Co., said that conversion costs were about 81 cents, sales costs ranging from 24 to 36 cents per barrel. The industry would fare better if no forward sales were made beyond 60 days and drafts should carry interest charges for the time they were out. * * *

Mr. Martin Ismert said that the I–H Co. positively would not make any forward sales beyond 60 days no matter what other mills might do. No contracts should be booked on new crop before June 15.

On May 2, 1924, C. V. Topping, secretary of the Southwestern Millers' League, wrote to G. G. Sohlberg, of the Acme Milling Co., Oklahoma City, Okla., regarding the meeting of a committee about the middle of May to formulate a plan. A sheet attached to this letter carries the names of 4 committeemen from Oklahoma, 7 from Kansas, 3 from Nebraska, and 4 from Kansas City. At the bottom of this sheet appears the following:

Mr. SOHLBERG. I move that a committee of millers from Kansas, Nebraska, Oklahoma, and Missouri River be appointed with the secretary to work out a plan to sell flour to brokers and bakers, particularly with reference to long-time booking. This committee to be appointed from representative districts and large enough to cover the territory generally.

The committee met at Kansas City, Mo., on May 16, 1924, and on May 17 Mr. Topping wrote to J. N. Campbell, in part, as follows:

I am very sorry that you were not at the meeting yesterday, and no doubt you will get in touch with Mr. Abbott and he will give you all the information in regard to the meeting.

But for fear that he may not advise you fully, I want to say that while the terms and long-time bookings were discussed we did not get anywhere in the way of correcting or reducing the time. Three or four of the big mills of Kansas City advised that under favorable conditions and to the right kind of parties they would book flour as much as six months in advance. They were open and frank in their statements so they can not be criticized in saying what they would do and it put everyone on their guard to know just what the conditions would be. We hope to correct and reduce these long-time bookings by the work that we have outlined.

On June 12, 1924, J. W. Craver, of the Aunt Jemima Mills Co., St. Joseph, Mo., wrote Mr. Topping as follows:

I have looked over your letter of May 28 to our representatives and salesmen.

I note you refer to 5 cents per barrel carrying charge and 50 cents entering charge. Is this to be general in the Southwest the coming season?

Southeastern mills are working on 10 cents per barrel carrying charge. As we see it, there would be a loss in carrying wheat for forward sales at 5 cents per barrel, unless we could buy wheat at considerably below $1 per bushel.

I should like to hear from you by return mail.

On June 16, 1924, Mr. Topping replied as follows:

I am in receipt of yours of the 12th and note what you say, that the Southeast are working on a 10-cent per barrel carrying charge.

I had occasion to talk with a number of the soft-wheat millers over in St. Louis last week and find their carrying charge is 10 cents whenever they make it. But I am inclined to think that in the past there has been very little carrying charges collected on these contracts both in the hard and soft wheat districts.

I feel that there should be a charge collected and I know that a move is being made to carry out the contract as outlined in the federation contract.

It looks very much to me as if we were going to have a better season and mills generally are lining up to make a little money this year.

Every meeting I have attended they seem to be in a mood for getting some returns on their investment, and with the crop situation in the way it is it looks to me as if the Southwest would come in for a good year's business.

On June 17, 1924, Mr. Craver replied as follows:

I have your letter of June 16.

Just as soon as you have something definite as to what the Southwest mills are going to do in the way of carrying charge for next year's business I should like to hear from you. It is going to be necessary for us to order some new contracts soon, and we don't want to include a 10-cent per barrel carrying charge after 90 days if everyone else in the Southwest is going to work on a 5-cent per barrel carrying charge.

Trusting that I may have the pleasure of hearing from you at an early date, I am.

On June 18, 1924, Mr. Topping replied as follows:

I am in receipt of yours of the 17th, and, in reply, the mills are going to stick to the 10-cent per barrel per month carrying charge as a maximum.

But there is a move on foot to change this somewhat and charge 1 cent for each three days or fraction thereof, as the mills seem to think that this would be the most satisfactory way and the buyer then would only pay for the actual time.

I will keep you advised of any developments along this line.

On July 31, 1924, W. H. Cahill, sales manager of Bernhard Stern & Sons (Inc.), Milwaukee, Wis., wrote to R. C. Sowden, of the New Era Milling Co., Arkansas City, Kans., as follows:

It is quite surprising to us to-day to receive a report from our Central Pennsylvania salesman (Harrisburg, Pa., district) that on July 29 Polar Bear was being quoted in that territory for shipment to April 1, 1925. It is very difficult for us to believe that this report is true, and so we are taking the liberty of writing to ask you as to whether or not you have made any quotations for such time of shipment. We are trying mighty hard to not only hold rigidly to prices consistent with cost but also to get away from long-time bookings; in fact, wherever possible we are confining our shipments to "within 60 days."

You will oblige us very much by letting us hear from you in response to this communication, and, of course, you know that we shall be only too glad to reciprocate at any time.

Mr. Sowden replied on August 2, 1924, as follows:

We have one round lot of flour sold in the Harrisburg district for August and September shipment and we expect to deliver this flour by October or collect the regular Millers' National Federation carrying charge.

The report that we are quoting Polar Bear for shipment to April 1, 1925, we are inclined to believe is salesmen's talk because we certainly have quoted nothing down there for shipment beyond 60 or 90 days, nor have we authorized any of our men to do so. What flour we are selling is for prompt or near-by shipment at prices that all [will] show a profit and this business is much more satisfactory than the long-time bookings last year.

For your information we do not have half the flour on our books now that we had a year ago, and in talking with other mills we find that this seems to be the general situation.

On September 10, 1924, J. W. Weigel, manager of the Dodge City Flour Mills, Dodge City, Kans., wrote to C. V. Topping, secretary of the Southwestern Millers' League, as follows:

Recently we have been hearing of the extremely low prices that have been made by Kansas mills in various domestic markets. These complaints are becoming more numerous daily. Not only are prices below cost of production being quoted but terms and conditions of sale are becoming as loose as ever. Our brokers and salesmen tell us that there are very few mills that are asking carrying charges any longer. We quote from a letter from our St. Louis representative which we just received this morning. He says:

"You really would be dumfounded to know the prices and time of shipment being offered in this market; in fact, most mills have forgotten about carrying charges and are booking up until July 1, 1925."

Our New York representative advised us yesterday that established and well-advertised Kansas brands were selling in New York City for $6 basis cotton 98's on 95 per cent bakers' patent grades, but that these sales were made for immediate shipment only.

We realize, of course, that you are not in position to do anything regarding this, neither do we offer the above as a complaint, but we just thought that you might be interested in having this information from us as, no doubt, you are getting it from other sources. It is beginning to look as though mills were gradually drifting back into doing business on the same unprofitable and unbusinesslike basis as a year ago.

Mr. Topping replied on September 11, 1924, as follows:

I am in receipt of yours of the 10th, and I am very much surprised at the contents of same and I feel beyond any doubt that your information is not correct.

I have talked with a great many millers and your broker seems to be the first one that has intimated any such condition.

The millers in Kansas City do not know of such a condition, and I wish that you would go back to him with a good, strong letter, telling him that you can not believe such is the condition and that you want him to get this information in writing, showing the mills that are making these prices and these terms. Also get the name of the mill that is making a $6 price in 98's on 95 per cent at New York. I will be very much surprised to see if he is able to get such a quotation or pin any such quotations down to any mill.

The conditions at the present time were never better; mills are refusing absolutely to sell on long time and are refusing to accept any flour sale unless it shows a profit.

This is not only true of the mills along the Missouri River but it is also true of the large majority of Kansas mills.

I wish you could attend one of the Kansas meetings at Hutchinson sometime and see what they have to say.

I will wait with interest your trying to get this information for me.

On October 27, 1924, Mr. Weigel again wrote to Mr. Topping, as follows:

Please note the attached letter and return same for our files as promptly as possible.

It is very evident now that if all mills had sold for 60 days' delivery only, market conditions would be much healthier now. As it is, those buyers, especially in the larger centers, who have low-priced flour that was booked three or four months ago are now setting the price and dominating the market.

It seems to the writer that if we could get together on this feature that a lot of our troubles would be eliminated. If everyone would sell for 60 days only, business would be steady. It would not be in spurts. The millers would, of course, set the price, as the resellers would be robbed of ammunition. The matter of price cutting or price differences, under those conditions, would not amount to very much. When there is no limit set as to the time of future delivery, then price differences and price cutting becomes a serious matter.

We trust that we are not bothering you too much with sending in this information.

The "attached letter" mentioned in the first paragraph of the above letter was not secured by the commission, nor was the answer of Mr. Topping to Mr. Weigel's letter.

On November 14, 1924, W. H. Cahill, sales manager of Bernard Stern & Sons (Inc.), Milwaukee, Wis., wrote R. C. Sowden regarding the sale of flour in Pennsylvania for long-time shipment. Mr. Cahill wrote:

Under no circumstances do we wish to become pests, but in line with previous exchanges of correspondence and what you have told Mr. Stern and the writer from time to time we really feel no hesitancy in coming to you now in connection with a report just received from our central Pennsylvania salesmen that, to use the slang expression, "knocked us for a row of ash cans." Our Mr. F. H. Fisher informs us that he ran onto a baker in central Pennsylvania, that is, in the Harrisburg district, who claims to have purchased last July, Polar Bear flour at $6.75 per barrel, halves cotton, freight paid Harrisburg rate, for shipment up to next July. (The quantity reported on this purchase was 2,000 barrels.) This baker does not claim to have purchased this flour from your mill but does claim to have purchased it through a broker, and it probably won't take three guesses for you to know who the broker is.

It is not the price that we are writing about at this time, but the extremely damaging practice of long-time bookings. To the writer's way of thinking, there hasn't been any other phase of flour selling that has caused so much demoralization and ruinous practices than these long-time bookings. No need of our going into details with you as to the many evils that crop out of the practice of selling a buyer for many months farther ahead than he can possibly gauge his requirements. We don't want to go beyond the border of minding our own business, but we are sure that you share our point of view on this subject, and are likewise confident that such transactions, if it was actually made, was made without your knowledge and consent. Our experience in the last few months has convinced us beyond a doubt that mills have made wonderful progress along the road of sane, sensible, diginified merchandising of flour—getting away from the haphazard, hit-or-miss, ridiculous methods that were employed on the previous crop, for instance. However, all the good that has been done, or a great part of it at least, will be undone if it remains even possible for a broker to make such transactions as this alleged sale and get away with it.

Please pardon this lengthy letter. We shall be very appreciative of having your response at your earliest convenience.

With the writer's very kindest personal regards and also a greeting from our Mr. Walter Stern, we are.

Mr. Sowden replied on November 17, 1924, as follows:

You need not feel the least hesitancy in writing us concerning a report such as is contained in your letter of the 14th.

While I know absolutely that there is no baker in the Harrisburg territory, or anywhere else for that matter, that has any such contract booked with us as your Mr. Fisher reports, I realize that our representative, Mr. Long, has made resales. He is financially responsible; all of our flour sales are made to him direct and he pays all the drafts. Last year I happen to know that he sold flour short and sustained quite a loss. Mr. Long handles a Montana flour account and ours, and to some extent I feel that his last year's experience has been a pretty good lesson to him.

Like you, we deplore this method of doing business, but the only way that we can get away from it is to put our own salesmen on this territory, and we are not yet quite prepared to do this, because, as you know, real flour salesmen of proven ability are scarce.

The mills this year have certainly made wonderful progress in their selling methods, as you say. You may rest assured that we will continue our efforts to improve the conditions in the Harrisburg district.

With the assurance that the writer appreciates your letter and with kindest personal regards to Major Stern and yourself, I remain.

On November 26, 1924, J. L. Ford, of the Shawnee Milling Co., wrote to Mr. Sowden as follows:

I thank you for yours of the 15th. I heard from Mr. Walker. He stated that he booked up to April 1, but not beyond. On account of his booking to April 1, one of the Oklahoma mills met their price at Dallas and booked on to June 1.

The Oklahoma mills are so decidedly against this long-time booking that I immediately wrote letters trying to offset this practice that was so ruinous last year.

I do not like the attitude of Thad Hoffman. He stated recently that he did not want their branch managers to attend the group meetings, and that he, himself, thought them very tiresome and attended only occasionally. When interrogated a little further, he did state he would have them send in their sales reports. The report, however, was quite disconcerting to the Oklahoma millers, as we thought he was one of the strong advocates of the group meetings. There must have been some situation in Kansas that made him express himself as he did. But, regardless of what that might be when one of his influence speaks it carries a lot of weight. We think Mr. Hoffman is one of the dominating factors in the Southwest; that he is a man of fine discernment; is straightforward and disposed to be considerate of the little mill as well as the large one.

In the working out of any plan there is always a testing time along somewhere; no plan will work out 100 per cent efficient; but when we compare the present situation with that of last year at this time we must admit that the efforts made have been productive of wonderful results. Mr. Hoffman has been a leader and we expect him to continue one.

Another thing Oklahoma mills are determined to do and that is to clean up all the bookings as fast as they expire and not permit of extensions that will run these cheap bookings over into next year and then have these resales hitting us in the face like a boomerang.

We will have a meeting in Oklahoma City the latter part of next week. Will send you notice and hope you can get down. It will do us lots of good.

Thad L. Hoffman, president Kansas Flour Mills Co., Kansas City, Mo., in a letter dated December 19, 1924, addressed to the Millers' National Federation, stated that "Failure to collect carrying charge is simply handing a rebate to your customer, and I wonder if many mills would actually write a check and send it to their customers, which is equivalent to when they fail to collect carrying charges. We are absolutely in favor of the carrying charge; in fact, we must have it."

R. E. Sterling, secretary of Kansas City Millers' Club, Kansas City, Mo., stated to an agent of the commission in December, 1924, that at group meetings of millers in Kansas City carrying charges and package differentials were discussed and that they were getting the millers back into line on these policies. A year or two ago most millers were going out and selling and allowing the jobber to order the flour out whenever he felt like it and that many of the large mills undoubtedly lost heavily when wheat went up in price.

F. D. Stevens, secretary of the Kansas Millers' Club, Wichita, Kans., stated to an agent of the commission in December, 1924, that the club endeavors to get its members to always add in the carrying charge and to sell on not more than 60 days' time.

The H. D. Lee Flour Mills Co., Salina, Kans., the William Kelly Milling Co., Hutchinson, Kans., the Newton mill and elevator branch of the Midland Flour Mills, Newton, Kans., and the El Reno Mill & Elevator Co., El Reno, Okla., reported early in 1925 that they were using the Millers' National Federation carrying charge.

A. R. Kinney, president Nebraska Consolidated Mills Co., Omaha, Nebr., stated to an agent of the commission in 1925 that most of the millers were sticking to the federation's carrying charge most of the time.

Package differentials.—The Millers' National Federation has established a list of price differentials to be charged by millers throughout the country for flour sold in the various kinds and sizes of packages. (See Exhibit IV, p. 123, Competitive Conditions in Flour Milling.) During the period covered by this part of the commission's investigation there were in use three such lists, the effective dates of which were December 16, 1922, January 2, 1924, and April 1, 1924. These lists were prepared by the committee on package differentials of the Millers' National Federation and distributed in printed form by the secretary of the federation to members and nonmembers. The list, effective April 1, 1924, is as follows:

Millers' National Federation flour package differentials (1924, No. 2), superseding schedule of January 2, 1924, effective April 1, 1924

(Basis, 98-pound cotton)

Weight, pounds	Kind	Differentials	Charge over bulk price for packing in buyer's sacks
196	Wood	$0.55 over basis	
98	do	$1.30 over basis	
140	Jute	$0.10 under basis	
98	do	Same as basis (2 to barrel)	
98	Cotton	Basis (2 to barrel)	
96	do	$0.10 under basis (2 to barrel)	
49	do	$0.20 over basis (4 to barrel)	
48	do	$0.10 over basis (4 to barrel)	10
24½	do	$0.40 over basis (8 to barrel)	10
24	do	$0.30 over basis (8 to barrel)	10
12¼	do	$0.60 over basis (16 to barrel)	10
12	do	$0.50 over basis (16 to barrel)	15
10	do	$1 over basis (20 to barrel)	15
9.8	do	$0.90 over basis (20 to barrel)	20
8	do	$0.90 over basis (24 to barrel)	20
7	do	$1.20 over basis (28 to barrel)	25
6	do	$1 over basis (32 to barrel)	30
5	do	$1.50 over basis (40 to barrel)	30
4.9	do	$1.40 over basis (40 to barrel)	40
4	do	$1.50 over basis (48 to barrel)	40
3½	do	$2 over basis (56 to barrel)	45
3	do	$1.90 over basis (64 to barrel)	50
2	do	$2.60 over basis (96 to barrel)	55
49	Paper	Same as basis (4 to barrel)	70
48	do	$0.10 under basis (4 to barrel)	10
24½	do	$0.10 over basis (8 to barrel)	10
24	do	Same as basis (8 to barrel)	15
12¼	do	$0.30 over basis (16 to barrel)	15
12	do	$0.20 over basis (16 to barrel)	20
10	do	$0.60 over basis (20 to barrel)	20
8	do	$0.40 over basis (24 to barrel)	25
7	do	$0.50 over basis (28 to barrel)	30
6	do	$0.60 over basis (32 to barrel)	30
5	do	$1 over basis (40 to barrel)	35
4	do	$0.90 over basis (48 to barrel)	50
3½	do	$1.10 over basis (56 to barrel)	50
3	do	$1.10 over basis (64 to barrel)	55
2	do	$1.90 over basis (96 to barrel)	55
			80

Outside jute envelopes (1 to barrel), 20 cents per barrel additional.
Outside jute envelopes (2 to barrel), 30 cents per barrel additional.
Outside cotton envelopes (2 to barrel), 40 cents per barrel additional.
Outside paper envelopes (4 to barrel), 40 cents per barrel additional.
All sales to be made basis 98-pound cotton.
A reduction of 25 cents per barrel from the half-cotton basing price shall be made where the flour is packed in buyer's 98-pound bags, and a reduction of 15 cents per barrel from the 140-pound jute price where the flour is packed in buyer's 140-pound jute bags.
Seller or buyer may not have option of shipping flour in cotton or jute sacks where either may have been specified at time of sale, except as may be agreed to by buyer and seller at time of shipment.

A federation bulletin accompanying the above list reads as follows:

CHICAGO, ILL., *March 25, 1924.*

Bulletin No. 320
Revised package differentials.

There is inclosed herewith a copy of revised package differential schedule, effective April 1, 1924. This supersedes the schedule of January 2, 1924. Please put these into effect.

We have a list of all those who have requested additional copies of the previous schedules, and will send to each of these, in a day or two, the number of copies of the revised schedule that they requested heretofore.

Very truly yours,

A. P. HUSBAND, *Secretary.*

The lists effective January 2, 1924, and December 16, 1922, were identical in form with the above list, but there were some differences in the figures over or under basis.

At the meeting of the Millers' National Federation held in Chcago on October 12, 1923, C. T. Olson, chairman of the committee on package differentials, submitted the following report:

Your committee on package differentials begs to report no change in the package differentials schedule since December 16, 1922.

The federation differentials appear to be well maintained.

Mr. Olson, as chairman of the committee on package differentials, wrote to the Cataract City Milling Co., Niagara Falls, N. Y., on October 15, 1923, in part, as follows:

The package differentials are being maintained nearly 100 per cent, and the committee would like very much to include your company amongst those who are supporting the efforts of the committee on package differentials, expecially since it can be done at a little profit.

In a circular letter dated September 10, 1923, J. B. McLemore, secretary of the Southeastern Millers' Association, Nashville, Tenn., stated, in part:

At a meeting of leading North Carolina and Virginia millers held in Greensboro, N. C., on September 4, there was unanimous agreement upon the following policies:

* * * * * * *

(4) The sack differentials as published by the Millers' National Federation should be followed by all mills.

On December 27, 1923, A. P. Husband, secretary of the Millers' National Federation, sent out a revised package differential schedule, effective January 2, 1924.

In writing to Henry A. Bellows, of the Northwestern Miller, on January 5, 1924, regarding this schedule, Mr. Husband stated:

I am writing to express appreciation of your editorial in the current number regarding federation package differentials. It would seem as if our package differential schedule is now looked upon as a standard, as proven by the fact that since December 27, when we mailed the recent schedule, we have sent out about 18,000 copies to millers, flour jobbers, dealers, etc., throughout the country.

Assuring you of our appreciation of your cooperation in this matter, and with kind personal regards, I remain.

On January 8, 1924, Mr. Bellows replied as follows:

Thank you for your letter of January 5 regarding our editorial on the subject of the federation package differentials. There can be no question that most of the mills are using this schedule consistently, but it is always worth while to call attention to it in order to jack up those who are still hanging outside.

As already stated (see p. 410), the federation package differential schedule effective April 1, 1924, was sent out by the secretary of the federation on March 25, 1924.

Charles T. Olson, chairman of the committee on package differentials, made the following report at the federation meeting held April 24, 1924:

Agreeable with the recommendations of your committee on package differentials, two corrected schedules have been issued since the semiannual meeting in October, 1923, viz; January 2 and April 1, 1924.

These corrections were necessary to afford full protection in the differential schedules for the millers.

Respectfully submitted on behalf of the committee on package differentials.

On June 14, 1924, Edwin M. Colton, of Colton Bros. Co., Bellefontaine, Ohio, and also president of the Ohio Millers' State Association, wrote to A. P. Husband, secretary of the Millers' National Federation, regarding package differentials and sectional associations, as follows:

After attending the meeting of the association secretaries in St. Louis last week you undoubtedly understand that there is no intention to attempt to discredit the federation in any way. At least that is the report given me by Mr. Tanner.

I believe that the secretaries are right in one thing—that is, that the federation must keep in close touch with them to gain the support of the mills not affiliated with the federation.

As an instance the package differential sheet is one of the very important steps forward, due to the labors of the federation. This ground must not be lost, and it would be a catastrophe to have the package differential go into the discard. These sheets should be distributed to every mill in the country, and it can best be done through the secretaries or the mills who do not belong to the federation. No doubt these things are all contemplated in your plans, but from your former letter I took it that you expected some little opposition from the meeting. Our executive committee warned Tanner that there was to be no effort on his part directed toward discrediting the work of the federation nor toward another association.

Our committee is entirely willing to permit the federation to go forward in their plans, so long as they do not find their work directed entirely toward the northwestern and southwestern millers. I see no reason for fearing any change in the policy of the federation in this respect and feel confident that our entire membership is behind your work in every department.

I think, too, that it will be wise to continue your visits to the State association meetings as you have done in the past. I am sure a cordial invitation will be extended to you from our association on these occasions.

The Mr. Tanner referred to was secretary of the Ohio Millers' State Association.

In his report made at the October 8, 1924, meeting of the federation, A. P. Husband, secretary, referred to package differentials as follows:

There has been no change in the package differential schedule since our last report, the schedule of April 1, 1924, being still in effect. We have reason to believe the federation package differentials are now recognized as standard by the trade and are quite generally observed. We are pleased to report a continued increasing demand for copies of the package differential schedule, 18,000 copies having been distributed when the present schedule was made effective.

Sydney Anderson, president of the federation, in an address at the meeting referred to above, stated that the establishment of the package differential service was perhaps the most significant and important activity of the Millers' National Federation, and that he had heard it stated by many millers that this service alone was worth in actual financial returns to the industry all that the federation had ever cost.

Differences in cost of package and wastage for the different packages are covered by the differentials. C. T. Olson, chairman of the federation package differential committee and vice president of the Commander Mill Co., Minneapolis, Minn., stated in February, 1925, that the present basis for package differentials is the 98-pound cotton sack costing 31.5 cents per barrel (two sacks) and that the differential committee raised this to 32 cents. The committee does not pay any attention to fractions but raises them to the next even figure. The only element taken into consideration in establishing differentials is the addition of one-half cent per package as cost of weighing the flour. Up to date there has been no automatic weighing scale that is sufficiently accurate to take chances on without getting into conflict with various national and State laws; therefore the weighing is done by hand, requiring from two to six employees, according to the size of the package being packed. With other mills having up-to-date facilities this one-half cent just about covers the cost. On small packages, from 10 pounds down, there is a wastage of flour at present market prices of anywhere from 10 to 15 cents per barrel. It is not quite that much on the 10-pound packages, but on the smaller sizes it is considerably more than that. The weighing charge and the charge for wastage described above are the only two elements added to the cost of the package. These charges take into consideration the interest on money invested in bags, storage, etc.

George A. Amendt, member of the package differential committee and president of the Amendt Milling Co., Monroe, Mich., stated to an agent of the commission, February 1925, that the advantage of the differentials is that the company does not have to hear tales from its buyers as to how to purchase sacks any cheaper. The differentials stabilize the package proposition and make it possible to have a little allowance on small packages to cover the cost of packing. The actual costs of the packages will vary to some extent, of course, from the package differentials. The 98-pound cotton sack is used as the basis. For a 48-pound size sack there is an added hidden profit of possibly 2 cents per barrel, on 24-pound packages of from 5 to 7 cents, and on 12-pound packages about 10 cents per barrel. Then there are proportional differences for the other sizes of sacks and for paper bags. The differentials on the average just about cover the added cost of packing. Under the old way most of the time there was no difference made for the different-sized packages. The new way gives an opportunity to get packing costs.

L. C. Chase, president United Mills Corporation, Grafton, Ohio, stated to an agent of the commission early in 1925, in substance, the following: His company used the Millers' National Federation differentials and he has been on the differential committee for 15 years. They watch the changes in package prices all the time. When there begins to be a discrepancy the chairman calls the differential committee in a meeting and studies the changes. It is not good business to change the differentials too often. Uniformity in sales conditions and methods is always desirable, and these differentials help secure that. They have done away with a lot of trouble that was always occurring under the old methods.

Thad L. Hoffman, president of the Kansas Flour Mills Co., Kansas City, Mo., stated in a letter, December 19, 1924, addressed to the Millers' National Federation: "Failure to observe the federation package differentials is only another method of cutting prices, and certainly should be discontinued."

In regard to these package differentials of the National Millers' Federation, the secretaries of several district associations late in 1924 or early in 1925 commented to an agent of the commission, in substance, as follows:

J. B. McLemore, secretary Southeastern Millers' Association: That the Southeastern Millers' Association was the pioneer in the matter of fixing "package differentials" and "carrying charges"; that it endeavors to have its members observe the Millers' National Federation package differentials; that he had always been on the federation package differential committee and had done his best to enforce these differentials in his own association.

Fred E. Pond, secretary New York State Millers' Association, Buffalo, N. Y.: That the matter of package differentials is handled entirely by the Millers' National Federation, which issues a circular on differentials at various times during the year; that the New York State Millers' Association recommends that these differentials be used by its members.

Frank H. Tanner, secretary Ohio Millers' State Association: That the flour package differentials recommended by the Millers' National Federation have been adopted by the Ohio Millers' State Association, as is shown by article 3, of the by-laws of the association, which reads as follows:

> The regulations adopted by the Millers' National Federation relating to package differentials and to terms of sale, and such other regulations as they may adopt from time to time, shall be considered part of the rules and regulations of this association.

F. B. Drees, secretary Michigan State Millers' Association, Lansing, Mich.: That the differentials used are supposed to be based on those recommended by the Millers' National Federation, but that the Michigan State Millers' Association has never adopted these differentials as an association; that many of the mills do not follow these differentials, but the large mills usually do follow them.

J. N. Campbell, secretary Nebraska Millers' Association, Omaha, Nebr.: That they did what they could to get the millers to observe the package differentials and carrying charges and to know their costs, so that they could make money; that they made no effort to come to any agreements on any of these subjects; they just talked over what everybody did and should do.

R. E. Sterling, secretary Kansas City Millers' Club, Kansas City, Mo.: That at group meetings of millers in Kansas City carrying charges and package differentials were discussed and they were getting the millers back into line on these policies.

F. D. Stevens, secretary Kansas Millers' Club, Wichita, Kans.: That this club endeavors to get its members to use the federation package differentials.

Officials of the following milling companies stated to an agent of the commission early in 1925 that their respective companies were using the Millers' National Federation package differentials:

International Milling Co., Minneapolis, Minn.
Voight Milling Co., Grand Rapids, Mich.
King Midas Milling Co., Minneapolis, Minn.
Big Diamond Mills Co., Minneapolis, Minn.
Bay State Milling Co., Winona, Minn.

Blish Milling Co., Seymour, Ind.
Eagle Roller Mill Co., New Ulm, Minn.
Kansas Milling Co., Wichita, Kans.
Federal Mill & Elevator Co. (Inc.), Lockport, N. Y.
Commander Mill Co., Minneapolis, Minn.
Duluth-Superior Milling Co., Duluth, Minn.
Duluth Universal Milling Co., Duluth, Minn.
Noblesville Milling Co., Noblesville, Ind.
H. D. Lee Flour Mills Co., Salina, Kans.
Empire Milling Co., Minneapolis, Minn.
William Hamilton & Son (Inc.), Caledonia, N. Y.
Colton Bros. Co., Bellefontaine, Ohio.
Gwinn Milling Co., Columbus, Ohio.
Bernhard Stern & Sons (Inc.), Milwaukee, Wis.
Minneapolis Milling Co., Minneapolis, Minn.
Mennel Milling Co., Toledo, Ohio.
Allen & Wheeler Co., Troy, Ohio.
Acme-Evans Co., Indianapolis, Ind.
Midland Flour Mills Co., Kansas City, Mo.
Hubbard Milling Co., Mankato, Minn.

Uniform sales contract.—In March, 1925, Sydney Anderson, president of the Millers' National Federation, stated to an agent of the commission, in replying to questions, that the main activities of the federation were as follows:

1. The federation is attempting to limit contracts for forward sales of flour by millers to 90 days.
2. The federation is attempting to prevent millers from offering temporary discounts, rebates, temporary bargain-day prices, premiums, and from indulging in similiar unfair practices.
3. The federation has adopted and is attempting to secure the use by millers of uniform carrying charges of one-third of one cent per barrel per day when the flour is carried by the miller beyond the time named in the contract.
4. The federation has adopted uniform package differentials which it is attempting to have used by millers in the sale of their flour. Mr. Anderson said that in his opinion, there was a little profit to millers in the uniform package differentials adopted from time to time by the federation, and that this was necessary for two reasons: (1) In order to allow for fluctuation in the prices of packages without requiring frequent changes of package differentials, and (2) because the package differentials must be fixed at a figure which will permit mills throughout the country to use these package differentials without loss to any mill. He also stated that the differentials must be wide enough to allow for the fact that the relations between cotton and jute bags change more frequently than it is desirable to revise the package differentials.

Mr. Anderson stated that the purpose of the activities outlined in the paragraphs numbered 1 to 4 above is to permit real competition by having the principal terms of sales uniform. He said that the uniform carrying charges and the uniform package differentials are incorporated in a uniform sales contract which the federation has adopted. He said, however, that there was no agreement on the part of members to use this uniform sales contract and that many mills, in fact, did not use it. Mr. Anderson stated that, in his opinion, it is legal to agree upon the four practices outlined above, but he does not know whether it is legal or not, and would like very much to be advised by some competent authority as to the legality of an agreement to bring about uniformity in these practices in the trade.

E. M. Colton, president of Colton Bros. Co., Bellefontaine, Ohio, stated in January, 1925, that his company follows the uniform sales contract that the federation has been recommending for several years.

George A. Amendt, president of the Amendt Milling Co., Monroe, Mich., stated in February, 1925, that his company was using a contract based on the uniform contract of the Millers' National Federation.

H. W. Tilden, assistant secretary of Aunt Jemima Mills Co., St. Joseph, Mo., stated in February, 1925, that the biggest work of the Millers' National Federation would be on the uniform contract, carrying charges, and package differentials.

A. L. Goodman, vice president of Duluth Universal Milling Co., stated in March, 1925, that they attempted to use the Millers' National Federation sales contract, although in some cases they were not able to do so.

Section 8. Code of ethics of Millers' National Federation.

As a culmination to the activities described in the preceding sections of this chapter, the Millers' National Federation began to formulate a so-called code of ethics in December, 1924, this code being adopted in April, 1925.[3]

On December 16, 1924, A. P. Husband, secretary of the Millers' National Federation, sent the following form letter to about 75 representative millers:

Since September 4 President Anderson and the writer have met with 27 groups of millers. At each of these meetings, following an address by President Anderson, there was a general discussion of milling conditions in response to requests by Mr. Anderson that millers indicate the most important activities that the federation could take up looking to a general improvement in milling conditions.

Without exception, a higher standard of business ethics and "outlawing" of uncommercial practices in the industry were emphasized as the most important factors in bringing about needed reforms in the industry; it was pointed out many times that indulgence in uncommercial practices was responsible for the lack of confidence in each other that seems to be a characteristic of millers everywhere we visited.

Memoranda were made of each of the practices which millers desired eliminated, and if agreement can be reached by any considerable number of units throughout the country that these practices should be "outlawed"; they will be published by the federation as undesirable, uncommercial, or unethical practices, and millers will be urged to eliminate them from the milling business.

The federation should, and does, stand for the highest type of business ethics, and your officers are extremely anxious that this list be published at as early a date as possible. Please look over the attached copy and give us your views; if there are other practices that should be "outlawed," please indicate these in your reply. Please confer with other millers in your territory and let your reply reflect their views as well as your own.

This letter and the attached list is being mailed to 75 representative millers throughout the United States. It should be distinctly understood that the practices listed herewith, and our proposal regarding them, do not represent a final or arbitrary conclusion on our part; they are submitted as something "to shoot at," and we hope our replies will indicate a crystallization of opinion on the part of those addressed as to all or some of the practices referred to. Please consider them accordingly. It is understood, of course, that neither this letter nor attached list is to be published at this time.

The list referred to in the above letter was marked "Not for publication," and was as follows:

[3] The attempt of the northwestern millers to work out a code of ethics through Mr. George Livingston, of the Livingston Economic Service, Minneapolis, Minn., in December, 1924, has already been described See pp. 400 to 403.

MILLERS' NATIONAL FEDERATION

PROPOSED UNCOMMERCIAL AND UNETHICAL PRACTICES THAT SHOULD BE "OUTLAWED" BY FLOUR MILLERS

1. Sales of flour for shipment beyond 60 days from date of order.
2. Guaranteeing flour prices against decline.
3. Consigning flour under any conditions.
4. Selling flour on open account, or on "acceptance" basis. (The latter practice is a subterfuge for selling on open account.)
5. Selling flour on the basis of bids rather than naming price at home office and maintaining it.
6. Permitting salesmen or brokers to make sales at former prices after an advance.
7. Failure to observe strictly the federation package differentials.
8. Failure to collect carrying charges.
9. Offering so-called "premiums" as an inducement to buyers.
10. The practice of offering flour at reduced prices in a specified territory on a given day; this practice is commonly known as "bargain-day" sales.
11. Recognition of "gossip" relayed to the mill by salesmen, brokers, etc., as to what other mills are doing, and meeting prices and terms so reported without confirming them from the mill accused.
12. The practice of salesmen or brokers carrying "vest-pocket orders"; either those to be entered upon notification of advance in price or those representing the buyer's basis of price, to be entered when the market declines will permit.

On December 22, 1924, Sydney Anderson, president of the Millers' National Federation, sent a circular letter to members of the executive committee,[4] reading, in part, as follows:

There are certain practices which are recognized by a considerable majority of the trade as demoralizing market conditions, tending to secure temporary or permanent unfair advantages to individual mills or portions of the trade which tend to deceive the purchaser or to bring the industry generally into bad repute. It should be possible to obtain an agreement among the trade as to what those practices are and their adherence to a policy of restraint in using them. In order to make a beginning on this matter, Mr. Husband and I have worked out a list of practices which have come to our attention and which we believe should be considered in this connection. This list we have submitted to a large number of mills for suggestions and criticism, after which the list will be extended, curtailed, or modified in accordance with the suggestions received and an effort made to secure action by the federation definitely outlawing these practices, and to set up machinery which will so far as possible obviate their use in the trade.

A partial list of the practices which should be considered in this connection is as follows:

The circular letter then quotes the list of practices given above and continues:

When we have secured the reaction of the mills to whom this list of practices has been submitted and their replies have been tabulated and considered it is altogether likely that we may find it necessary to attempt to concentrate our efforts to obtain the consent and adherence of the trade to a policy eliminating a relatively small number of the practices. In other words, the wise procedure would be to secure the adoption of a policy eliminating these practices one or two at a time.

More than 50 letters in reply to Secretary Husband's letter of December 16, 1924, regarding the list of practices, were received by the federation, but Mr. Husband and Mr. Anderson refused to permit an agent of the commission to examine them.

The minutes of a meeting of the executive committee of the Millers' National Federation, held in Chicago on January 21, 1925, read in part, as follows:

The committee took up for consideration the report submitted by President Anderson to members of executive committee (and to directors) under date of

[4] For complete copy of this letter see Exhibit V, p. 134, Competitive Conditions in Flour Milling.

December 22, 1924, and the questions submitted by Mr. Anderson in his letter of transmittal of same date. The committee discussed at length the list of uncommercial practices submitted to a list of 76 millers and the digest of replies received on this subject from 53 of those addressed.

The questions discussed, and the conclusions reached on same, follow:

MEMORANDA RELATIVE TO QUESTIONS SUBMITTED IN CONNECTION WITH LETTER OF TRANSMITTAL IN REPORT OF DECEMBER 22

1. What can be done to minimize the continuous tendency to overproduction resulting from excess capacity?

Consideration to be given in connection with this item of educational propaganda looking to the basing of cost on normal operation of mill instead of total capacity or expected output for the purpose of maintaining higher level of asking prices. Consideration also to be given to the general practice of consigning and dumping as affected by overproduction.

2. What action, if any, can the industry take to meet the tendency to concentrate buying power through combinations of bakers, retail grocers, chain stores, etc?

Question should have consideration, but the executive committee is under the opinion that definite activities looking to meeting consolidated buying not feasible at this time. Education propaganda to be undertaken with a view of developing opinion of the trade as to possible means of meeting consolidated buying.

3. Can the industry go on the basis of fixed prices established at the home office of the mill?

Committee seems to be of the opinion that it is desirable to promote the general practice of making firm practices established at the mill, but that this practice is not sufficiently common in the industry as yet to justify attempt to secure adoption of this as a general policy.

4. Can we secure a general agreement that certain practices indulged in by the trade are uncommercial and unethical and tend to destroy equality of competition and an agreement to a policy of outlawing these practices and methods in the industry?

Executive committee approves.

5. Is it possible and desirable to work out and apply a uniform system or systems of accounting as a basis of exchange of information between mills and milling sections?

Executive committee approved and instructed officers to proceed with work.

6. Is it possible to agree upon and establish an absolute limit upon the period of forward sales to be observed in the industry?

Committee is of the opinion that limitation upon forward sales is desirable but this can not be effected except in the case of family flour at present. See memorandum on No. 1, "Unethical practices."

7. What can be done to lessen the differentials existing in prices made to or secured by different classes of buyers and to bring these differentials into closer accord with the actual differences in the cost of production and sales involved?

No action. (Mr. Mennel suggested that the same conversion cost be applied on sales of all characters, regardless of expense in securing them.)

8. Can the federation do more than it has been doing to extend our foreign trade in flour and to improve the conditions under which the export flour business is carried on?

Committee is of the opinion that general investigation of foreign trade in flour would not result in development of any facts which are not now available to the industry as a whole, but that an inquiry directed toward the ascertainment and removal of discrimination against American exporters resulting from treaties with foreign nations or from the policies applicable in transportation might produce results of benefit. (Mr. Mennel suggested relief from income tax on export sales would be helpful.)

9. Should the federation employ a chemist to obtain and assemble data necessary in dealing with Federal and State authorities concerned with the establishment of standards for flour and feed and to make rules and regulations under which interstate and intrastate shipments of these commodities are made?

Executive committee authorizes the employment of a chemist or other person to work on propaganda in connection with standards on feeds and the employment of existing agencies for working in connection with the chemistry on flour at the discretion of Mr. Anderson and Mr. Husband.

10. What can be done to meet propaganda unfavorable to white flour and bread?

Committee authorized expenditures of a sum not exceeding $5,000 in the employment of a person to engage in general propaganda work in connection with white bread, at the discretion of Mr. Anderson and Mr. Husband. (This followed report by Mr. Anderson of his conference with Mr. Ivy Lee on question of publicity.)

MEMORANDA ON UNETHICAL PRACTICES

1. Sales of flour for shipment beyond 60 days from date of order.

Sales of flour to jobbers or retailers—that is, family trade—to be for a period not longer than 60 days, with one extension of 30 days. No limitation on sales to bakers.

2. Guaranteeing flour prices against decline.

Agreed to without change.

3. Consigning flour under any conditions.

Agreed to with the understanding that consignment means shipment to the buyer where title passes without restriction or limitation on the part of the seller as to the price at which flour is to be sold by the buyer.

4. Selling flour on open account or on "acceptance" basis. (The latter practice is a subterfuge for selling on open account.)

No agreement.

5. Selling flour on the basis of bids, rather than naming price at home office and maintaining it.

To be redrafted on the basis of prohibiting a solicitation of offers below mill limits.

6. Permitting salesmen or brokers to make sales at former prices, after an advance.

Agreed to. Mr. Bell suggests modify to provide prices shall be effective at the close of the day on which notification of advance is made.

7. Failure to observe strictly the federation package differentials.

Agreed to.

8. Failure to collect carrying charges.

Agreed in principle but to be redrafted on the basis of mills using their best efforts to secure carrying charges in all cases.

9. Offering so-called "premiums" as an inducement to buyers.

Agreed to.

10. The practice of offering flour at reduced prices in a specified territory on a given day; this practice is commonly known as "bargain-day" sales.

Agreed to.

11. Recognition of "gossip" relayed to the mill by salesmen, brokers, etc., as to what other mills are doing and meeting prices and terms so reported without confirming them from the mill accused.

No discussion.

12. The practice of salesmen or brokers carrying "vest-pocket orders"; either those to be entered upon notification of advance in price or those representing the buyer's basis of price to be entered when market declines will permit.

Regarded by the committee as impractical of enforcement and practice undersirable.

In connection with work of establishing a uniform cost-accounting system, Mr. Anderson stated that he favored appointing a committee of mill managers and mill accountants, invite them to meet for preliminary discussion as to what data it was necessary to secure; to have them then secure such data and at a later meeting adopt a definite plan; in the meantime endeavor to secure a competent man to supervise the task.

Mr. Bell called attention to necessity of considering a "normal" output as basis for computation, stating that uniform accounting and uniform practice in the industry were necessary to interpretation of competition.

The committee instructed President Anderson, at his discretion, to arrange for establishing an office in Washington, with necessary clerk, the expense to be approximately $6,000 per year.

Mr. Bell offered several suggestions, as follows, as representing the sense of the committee:

That short-time contracts for flour are desirable, and every effect [effort] should be made to spread this fact through regional directors.

That under certain conditions it was futile to try and get compliance with this on hard-wheat flours (bakery trade).

That fairly short time contracts could be secured on family trade.

That mills should limit to short-time contracts jobbers who sold to retailers and small bakers, to prevent demoralizing resales.

That guaranteeing price against declines was a vicious practice. No definite action taken.

In a bulletin dated January 23, 1925, A. P. Husband, secretary, in describing the executive committee meeting of January 21, stated:

A code of ethics is in process of development. This will be an important subject for discussion and action at the annual meeting in April.

The following "Code of ethics and business practices" was adopted by the Millers' National Federation at the annual meeting, Chicago, Ill., April 16, 1925:

Resolved, That in compliance with the program of the United States Department of Commerce for the elimination of waste in distribution and for adoption of simplified business practices and uniformity of method and forms; to promote equality of competition and facility in interpreting such competition; to eliminate unsound, unbusinesslike, and unethical practices; and to promote the highest standard of business ethics and conduct, the Millers' National Federation has adopted and urges the adherence of its members to the following:

CODE OF ETHICS AND BUSINESS PRACTICES

1. We will strive to maintain the highest excellence in quality, merchandising service, and business practice in order that we may have respect for our products and that others may respect them. We will deal honorably with our competitors, our customers, and the public and we will refrain from any action, method, or practice which if indulged in by a competitor we would regard as unethical, unsound, or unbusinesslike.
2. Sales of flour should be made for delivery within not to exceed 60 days.
3. Price of flour or other mill products shall not be guaranteed against decline.
4. Flour and other mill products shall not be consigned. (Consignment means delivery by shipper to customer, agent, or broker for sale at a future time at an undetermined price.)
5. All carload sales should be made on sight draft or arrival draft terms.
6. All sales shall be subject to confirmation at the home office or duly authorized branch office of the mill.
7. Millers' National Federation package differentials shall be strictly observed.
8. Charges shall be assessed and collected from the buyer in all cases where shipping directions are not received within contract time, at the rate of one-third cent per barrel per day for flour and 1 cent per ton per day for feed.
9. Millers' National Federation uniform sales contract should be used in all cases.
10. Millers shall not give rebates, premiums, donations, or subsidies in the merchandising of their products.
11. There shall be no so-called bargain day sales.
12. It is recommended that mills issue a fair list price and adhere strictly to it. Revision should be made only when there has been sufficient change in costs of production to justify it.
13. After prices have been advanced, no sale shall be accepted at previous prices.
14. It is recommended that sales prices reflect cost plus a profit, based on the cost of replacement of raw material and a cost of operation and sales reflecting the normal average capacity actually operated by the industry, not exceeding 55 per cent.
15. It is recommended that reports of unethical and uncommercial practices of competitors be accepted with the utmost caution, and that no action be predicated thereon unless and until the authenticity of such reports is confirmed by inquiry from the competitor or competitors involved.

The interpretation and adherence to this code by millers is within the conscience and good faith of each miller, but the federation urges that the essence and value of the code lies in voluntary and universal adoption of and adherence to its principles at all times and under all circumstances.

The above "Code of ethics" must be considered in the light of the activities preceding its adoption, as already described in this chapter.

What has been the effect of the adoption of this "Code" has not been learned, because the commission has no direct information as to the profits of milling companies since the year ending in 1924, nor as to competitive conditions since the meeting of the federation in April, 1925, when the code was adopted.[5]

However, the evidence of milling company and association officers and employees, as set forth in this chapter, indicates clearly that if the provisions of the code are generally observed, competition must be restricted, and an artificial minimum price established for the sale of flour.

For example, the necessary tendency of paragraph No. 14 is to arrive at arbitrary and virtually uniform minimum selling prices for the various milling companies. The tendency of paragraphs 2 to 13, inclusive, is to prevent any competition in the terms of sale and delivery. And paragraph 15 forms the keystone by providing the machinery and method for enforcing all of the preceding paragraphs of the code through exchange of information on "reports of unethical and uncommercial practices of competitors," a system already in widespread use since the meeting of the Millers' National Federation of October 12, 1923.

Although the commission has no direct evidence from milling companies or associations as to the results attained through the code of ethics, the effectiveness of the code, about 10 months after its adoption, is indicated by the following editorial appearing in the Modern Miller, a trade journal, in the issue of February 13, 1926:

CODE OF ETHICS WORKING

There is every evidence of the sound good that has developed since the adoption of the "Code of ethics" by the Millers' National Federation. The selling below cost to hear the wheels hum has almost disappeared as an abuse that was undermining the industry. Flour campaigns to gain customers at temporary cut prices are not heard of. Selling terms and methods are on a much sounder basis and acts of unfair aggression and reprisal are distinctly less.

It is not expected where competition is keen that all bad practices can be eliminated forthwith, but it is the observation of the Modern Miller that a wonderful stride in the direction of ethics and marketing sanity has been ccomplished.

This is working in a most salutary way and the good effects are bound to be felt by the industry. With any normal return of export trade, much of the troubles of the industry are behind us. The "Code of ethics " is working. Do your part.

Section 9. Activities of flour clubs.

A significant movement affecting competition locally is the organization of "flour clubs," that is, associations of flour traders in a particular city or vicinity. These clubs are often described as "social" in their objects, but apparently they sometimes take a direct interest in the question of credits or other competitive conditions.

There had been or were local flour clubs in existence in all the cities visited except Nashville, Louisville, and Washington, D. C. In Nashville and Louisville some attempts have been made to organize local clubs, but so far without success. Apparently there has never been any move to organize a club in Washington. The club at Milwaukee was organized in 1924, but when the city was visited in the spring of

[5] The obstacles to obtaining further information (see p. 349) have made it impossible to determine the more recent conditions. As regards profits of milling companies since the year ending 1924, the investment, income, and rate of return for several important companies for the years 1923 to 1926 have been compiled by the commission from published reports such as "Poors" and are shown in appendix, Table 21. The average rate of return for the five companies in the table appearing for all years is for 1923, 5.16 per cent; for 1924, 6.30; for 1925, 7.08; and for 1926, 6.48.

1925 there seemed to be some doubt about the club continuing to function. The Cleveland club disbanded in the spring of 1924. The Columbus (Ohio) club was practically defunct in June, 1925, although there had been no formal dissolution. The Boston club had become comparatively inactive. It was the opinion of some that the active work of that club would largely be taken over by the Boston Grain and Flour Exchange. The most active local clubs seem to be those in Chicago, Baltimore, and St. Louis. A large number of the persons interviewed when asked about the work of the flour clubs insisted that they were mostly social organizations. In New York, in addition to the New York Flour Club (Inc.), the activities of two other organizations, having flour distributors as members, were inquired into. They were the New York Produce Exchange and the Flour and Bakers' Supply Merchants Association of Greater New York (Inc.). Kansas City, Mo., where a local flour club also exists, was not visited.

The National Federated Flour Clubs is an attempt to further unify the various local clubs, since its membership is composed entirely of delegates representing the local clubs. This organization seems to have been comparatively inactive of late. The secretary formerly had his headquarters in Chicago, but is now in New York City. The president of the club in 1925 was from Kansas City, Mo.

The effort of a number of the clubs has been directed toward an attempt to correct credit abuses. The Flour and Bakers Supply Merchants Association of Greater New York (Inc.) was formed in New York City specifically for this purpose. It has a stringent provision in its constitution governing its members in the giving of credits. Each member is required to give a bond of $1,000 to take care of contingencies arising in connection with such matters. Members of this association said they soon found that these provisions regarding credits could not be carried out.

Of the distributors interviewed a large majority were members of the local flour clubs where one existed in the city visited. A few did not belong, and they expressed the opinion that they could not see that the club did any good. In the larger cities most of the distributors were also members of the exchanges. In Boston the opinion was expressed that the exchange would take the place of the flour club for real work. Mills which distributed locally were usually members of the flour clubs. A cooperative wholesale association in St. Louis had not been asked to join the St. Louis Flour Club. Some of the large wholesale grocers there were not members of the flour club. As a rule the branch offices of the large milling companies were represented by members of the local flour club.

Section 10. Alleged discrimination in millers' flour prices.

In an interview with a high official of the Millers' National Federation it was stated to representatives of the commission that it was his belief that discriminatory flour prices to the large baker were common, and request was made that the matter be investigated. A comparison of average mill prices for all flour buyers and for wholesale bakers, including most of the largest buyers (see p. 14; also p. 192), appears to sustain in a measure this view. However, because of the refusal of several of the largest flour mills to cooperate with the commission in the matter, it was unable to ascertain the extent of such discrimination, if any, or to disclose specific cases.

CHAPTER XI

PROFITS AND COSTS IN FLOUR MILLING

Section 1. Source and extent of information.

The information on profits and costs of the flour industry presented in this report is practically limited to wheat flour, but this constitutes the great bulk of the flour used in commercial bread baking. As already stated in Chapter I similar information had been obtained in previous inquiries of the commission in a sufficiently comprehensive way down to the end of the year 1922, so that the additional information collected in connection with the present inquiry was limited to the years 1923 and 1924. (See p. 2.) For these two years data on profits and costs were secured from 90 flour-milling companies, generally on prescribed report forms filled out by them,[1] but in a number of cases directly from the books of the companies by accountants of the commission. A large number of companies were asked to make reports which failed to do so, and certain companies, whose figures were of especial importance on account of the size of their business, even refused to allow the commission to secure the figures directly from the books of account.

These difficulties, together with the litigation in which the commission became involved early in 1926 in attempting to secure further information, made it seem inadvisable to attempt to procure data subsequent to 1924, although such data would have been of special interest for this inquiry.[2]

The results for the 90 flour-milling companies which were secured, however, constitute a substantial sample of the total industry. Their wheat-flour production in 1923 amounted to about 25 per cent of the total output of the country, as reported by the census for that year. That these figures are also fairly representative is clearly established by certain comparisons which are made with more comprehensive data secured in earlier years, as shown hereafter. (See secs. 8 and 9, below.)

Furthermore, in order to make clearer the recent developments in the flour industry, profits and costs for earlier years are compared with those for 1923 and 1924, and particularly through a tabulation of the results of 47 companies for which data were available throughout the six-year period 1919 to 1924.

Section 2. Methods of computing profits and costs.

The flour profits in this report are shown generally on two bases, first, according to the net profits of the company on its own capital, and, second, according to the net profits of the milling business, including any borrowed funds used therein. In the first case some capital not used in the flour-milling business (such as investment

[1] For a copy of this schedule form see "Competitive Conditions in Flour Milling," pp. 107–115.

[2] For some of the companies refusing to furnish or to allow the commission to secure the data on profits and costs for the years 1923 and 1924, the investment, income, and rate of return for the years 1923 to 1926 have been compiled from published reports, such as "Poors," and are shown in appendix, Table 21. However, because these data cover the later years 1925 and 1926, there are included in this table some companies which reported to the commission for the years 1923 and 1924. In general this appendix table shows for the companies given therein increasing profits in 1925 and 1926 over 1923 and 1924.

securities) is included, but in the second case this outside capital is excluded. The net profits taken are those which relate, of course, to the capital in question. In appendix, Tables 22 and 33, certain additional methods of stating investment and profit are employed for purposes of comparison, if desired, but they are not considered in this report.

The first form of statement, namely, the profits earned by the company, is important, because it may have, sometimes, a more direct bearing on the business policy pursued than the profits for the milling business as such. The second form of statement is important for any sound economic analysis of conditions, and for this reason the more detailed studies are based on the entire investment and profits of the milling business.

Investment.—The investment of the company in the entire business is the sum of the capital stock, surplus, and surplus reserves. It is also sometimes called the "stockholders' equity."

The investment in the flour-milling business is the sum of the capital stock, surplus, surplus reserves, and borrowed money, less outside investments.

Borrowed money forms a considerable part of the total investment in the flour-milling business, but it is chiefly in the form of current borrowings, which for the 90 companies reporting averaged about 17 per cent of the total investment in 1923. Bonds and mortgages were quite insignificant in amount.

The "outside" investment—that is, in securities or in properties not directly operated as a part of the milling business—is comparatively small, and during the period in question was a little over 11 per cent of the total investment for these 90 companies. This is a high figure compared with earlier years. (See Appendix Table 30.)

The average investment is used in each case, rather than the initial investment as shown in the balance sheet at the beginning of the year. The average investment is taken at one-half the sum of the investments as shown by the balance sheets at the beginning and at the end of each year, except as to notes payable, for which the monthly average is used. The notes payable in the flour-milling business show a wide variation in amount for different seasons of the year. Thus for the calendar year 1923 the average amount of current borrowings for the 90 companies referred to was, in July, 57 per cent of the year's average, while in January it ran up to 33 per cent above the average. The period of borrowings below the average was from April to September, inclusive, which reflects the period of reduced activity in buying grain and storing flour.

Profits.—The profits (earnings or net income) differ, of course, with the investment used, but in all cases they are shown before deducting Federal income and profits taxes.

The profits for the company (or stockholders' equity) comprise the total net income after deducting interest on bonds and borrowed money.

The profits for the flour-milling business comprise the total net income before deducting interest on bonds and borrowed money and before adding gains or subtracting losses on outside investments.

It is not possible, with the information available, to show the amount of Federal income and profits taxes, because some companies did not report them, and some other companies reported amounts

which did not apply entirely to the period for which they were shown. The absence of such figures, however, is not important, for the purposes of determining the profits of the companies or of the flour-milling industry.

PROFITS AND COSTS, 1923 AND 1924

Section 3. Production and sales of flour.

Total production.—The 90 companies for whose business the profits and costs in 1923 and 1924 are shown in this report constitute, as already stated, a substantial part of the total industry. On account of the seasonal character of their business some keep their books of account on a crop-year basis (which differs in different sections) and some on a calendar-year basis. While for these 90 companies the division in this respect is about equal as to numbers, much the greater volume of production is from the companies using the crop year. The following statement shows the total production of wheat flour and the total quantity sold in 1923 and 1924, combining crop and calendar years:

Crop and calendar years	Barrels produced	Barrels sold
1923	28, 513, 936	29, 184, 810
1924	29, 127, 158	30, 072, 320
Average	28, 820, 547	29, 628, 685

The production of wheat flour by these companies averaged nearly 29,000,000 barrels, or about one-fourth of the total production of the country, which is reported by the census for the calendar year 1923 at 114,438,544 barrels.

Proportion of wheat flour.—These companies, in addition to wheat flour, produced 114,266 barrels of rye flour in 1923 and 219,447 barrels in 1924; also 120,120 barrels of corn meal in 1923 and 99,519 barrels in 1924. The wheat flour constituted over 99 per cent of the total production for the two years combined.

The quantities of wheat flour sold by these companies were about the same as the quantities produced, the small differences being due to the purchase of some flour from other mills and to changes in the stocks of flour on hand.

Geographical distribution.—The production of these 90 companies was also quite widely distributed, including 21 States in the more important milling regions of the country. The geographical divisions used and the States for which mills were included for each division are as follows:

Eastern and central: New York, Pennsylvania, Ohio, Illinois, Indiana, and Michigan; southeastern: Maryland, Virginia, North Carolina, Georgia, and Tennessee; northwestern: Minnesota, North Dakota, Montana, Wisconsin, and Iowa; southwestern: Missouri, Nebraska, Kansas, and Texas; mountain and coast: Colorado, Washington, Oregon, and California.

The following table shows the production of these 90 companies by geographical divisions for 1924:

TABLE 88.—*Production of wheat flour for 90 companies by geographical divisions in 1924*

(Crop and calendar years combined)

Division	Number of companies	Barrels produced	Per cent
Northwestern	22	12, 184, 714	41. 8
Southwestern	25	6, 955, 920	23. 9
Southeastern	10	1, 409, 756	4. 8
Central and eastern	24	3, 989, 698	13. 7
Mountain and coast	9	4, 587, 070	15. 8
Total	90	29, 127, 158	100. 0

The two most important geographical regions for the production of flour are well represented in the above table, namely, the northwestern, basing its production chiefly on hard spring wheat and the southwestern, using chiefly hard winter wheat. The next most important region is that described in the table as the central and eastern, where a good deal of hard wheat from the Western States and Canada is used, together with the local soft wheats.

Wheat required per barrel of flour.—The requirement of wheat per barrel of flour varies naturally with the differences in the quality of grain used, but the average for these 90 companies was 4.56 bushels for 1924. It ranged from 4.65 bushels per barrel in the northwestern division to 4.35 bushels in the central and eastern. The second division in point of quantity required was the southwestern division with 4.60 bushels, and the next to the lowest was the mountain and coast division with 4.46 bushels. The figures for 1923 were nearly the same and consistent with those for 1924.

Purchased flour.—In some cases it is important to blend flours, so that mills often buy flour to blend with their own product. For the 90 companies here under consideration, the average proportion of flour purchased to flour produced during 1923 and 1924 combined was 3.43 per cent. In the southeastern division, it was a little over 16 per cent, and about 2 per cent in both the northwestern and the central and eastern divisions.

Section 4. General financial results, 1923 and 1924.

The general financial results of the 90 companies for 1923 and 1924 may be compared with their results for the flour-milling business alone. The former shows the results of the company, with respect chiefly to the stockholders' interest in the operations, whether in the flour-milling business or in outside business. The latter shows the results for the flour-milling business only, but disregards the question whether the capital employed was partly borrowed or not, with corresponding adjustment for profits. For greater clearness and brevity, the former is called "company business," and the latter "milling business." The data are first shown with respect to the amount of profits and after that for the investment and rate of profit thereon.

The following table shows the amount of profits, including the profits per barrel:

TABLE 89.—*Value of sales, costs and expenses of sales, and net income per barrel of flour for company business and for milling business only, of 90 flour companies for the two years 1923 and 1924*

(Crop and calendar years combined)

Year	Value of sales[1]		Costs and all expenses		Net profit	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
Company business						
1923	$172,425,618	$5.91	[2] $165,878,105	$5.69	$6,547,513	$0.22
1924	173,295,955	5.76	[2] 165,942,274	5.52	7,353,681	.24
Average	172,860,786	5.83	[2] 165,910,189	5.59	6,950,597	.23
Milling business						
1923	172,425,618	5.91	[3] 165,244,375	5.66	7,181,243	.25
1924	173,295,955	5.76	[3] 166,255,770	5.53	7,040,185	.23
Average	172,860,786	5.83	[3] 165,750,072	5.59	7,110,714	.24

[1] Sales of flour only. Sales of by-products are not included.
[2] Costs and selling expenses, including miscellaneous operating losses (less gains) and interest on bonds and borrowed money, less gains from outside investments and less credits for by-products.
[3] Costs and selling expenses, including miscellaneous operating losses (less gains) but not interest on bonds and borrowed money, less credits for by-products.

The striking fact in this statement is the comparatively small difference in the amounts of net profit. The net profits for the company business in 1923 were somewhat lower than the milling-business profits, but the position was reversed in 1924 in about the same degree.

Both value of sales per barrel and costs and expenses per barrel decreased in 1924 as compared with 1923 by nearly the same amount, so that there was little change in the net income per barrel either for the company business or for the milling business. Value of sales decreased from $5.91 per barrel in 1923 to $5.76 in 1924, or a decrease of 15 cents per barrel. The net profit for the company increased from 22 cents in 1923 to 24 cents in 1924, while the net profit for the milling business decreased from 25 cents per barrel in 1923 to 23 cents in 1924.

The investment, net profit, and rate of return for the 90 companies were as follows:

TABLE 90.—*Investment, net profit, and rate of return for company business and for milling business only, of 90 flour companies for the two years 1923 and 1924* [1]

(Crop and calendar years combined)

Year	Investment		Net income		Rate of return
	Amount	Per barrel	Amount	Per barrel	
Company business					*Per cent.*
1923	[2] $80,772,204	$2.76	$6,547,513	$0.22	8.1
1924	[2] 83,102,983	2.76	7,353,681	.24	8.8
Average	[2] 81,937,593	2.76	6,950,597	.23	8.5
Milling business					
1923	[3] 96,611,305	3.31	7,181,243	.25	7.4
1924	[3] 98,840,598	3.29	7,040,185	.23	7.1
Average	[3] 97,725,951	3.30	7,110,714	.24	7.3

[1] Reference has been made (see note 2, p. 422) to a compilation made from published reports, such as "Poors," showing investment, income, and rate of return, for the years 1923 to 1926, for certain flour-milling companies. This compilation is shown in appendix, Table 21. The investment and income figures there shown are perhaps more nearly comparable with those shown in the above table under the caption "company business." The average rate of return for the 5 companies shown in the appendix table for all 4 years is for 1923, 5.16 per cent; for 1924, 6.30; for 1925, 7.08; and for 1926, 6.48.
[2] The sum of the capital stock, surplus, and surplus reserves.
[3] The sum of the capital stock, surplus, surplus reserves, and borrowed money, less outside investments.

For convenience, the investment per barrel sold, rather than per barrel produced, is given in the above table, but had the production basis been used there would have been a difference of only a few cents per barrel in the investment. The company's investment per barrel did not vary at all, being $2.76 per barrel in each year. The investment per barrel in the milling business varied but little being $3.31 in 1923 and $3.29 per barrel in 1924. The rate of return for the milling business was lower in each year than the rate for the company's business, and decreased from 7.4 per cent in 1923 to 7.1 per cent in 1924, while the rate for the company's business increased from 8.1 per cent in 1923 to 8.8 per cent in 1924. These rates of return in 1923 and 1924, as will be shown below, were considerably under the average reported rates in recent years.

Section 5. Financial results for crop and calendar years, 1923 and 1924.

The average profits of the 90 companies as shown above for 1923 and 1924, are for crop and calendar years combined, but the figures are considerably different if the returns of the different companies reporting are averaged separately for each period. The differences are chiefly due to the seasons covered, and in a small degree probably to the fact that the companies included in each group are different. Of these companies 44 close their books at the end of the crop year, which is from June to August in different sections of the country, and the other 46 companies use the calendar year. Therefore, the figures of the 44 crop-year companies cover the two years from the summer of 1922 to the summer of 1924, while the other 46 companies cover the calendar years January to December, 1923 and 1924. A comparison of the financial results of these two groups of companies is shown below:

TABLE 91.—*Number of barrels sold, sales, costs and expenses, and net profits per barrel for company business and for milling business of 44 companies for crop years and of 46 companies for calendar years, 1923 and 1924*

Period	Barrels sold	Value of sales [1]	Company business		Milling business	
			Costs and all expenses [2]	Net profits	Costs and all expenses [3]	Net profits
Crop year, 1923	22,902,087	$5.91	$5.65	$0.26	$5.64	$0.27
Calendar year, 1923	6,282,723	5.88	5.78	.10	5.73	.15
Average	29,184,810	5.91	5.69	.22	5.66	.25
Crop year, 1924	22,966,825	5.55	5.31	.24	5.34	.21
Calendar year, 1924	7,105,495	6.44	6.18	.26	6.14	.30
Average	30,072,320	5.76	5.52	.24	5.53	.23

[1] Sales of flour only. Sales of by-products are not included.
[2] Costs and selling expenses, including miscellaneous operating losses (less gains) and interest on bonds and borrowed money, less gains from outside investments and less credits for by-products.
[3] Costs and selling expenses, including miscellaneous operating losses (less gains) but not interest on bonds and borrowed money, less credits for by-products.

The 44 companies for the crop year 1923 showed (see Table 92 below) an average rate of return of 8.9 per cent on the company investment, as against only 4.3 per cent for the 46 calendar-year companies. For 1924 the relation was reversed, the average rate for the crop-year companies being 8.1 per cent as against 12.6 per cent for the calendar-year companies. The 44 companies showed a decrease in average rate of return on milling investment from 8 per cent for the crop year ending in 1923 to 6.2 per cent for the crop year ending in 1924. On the other hand, the 46 companies showed an increase in the average rate of return from 5.1 per cent for the calendar year 1923 to 10.9 per cent for the calendar year 1924.

TABLE 92.—*Investment, net profits, and rate of return for company business and for milling business of 44 companies for crop years and of 46 companies for calendar years, 1923 and 1924*

Period	Company business			Milling business		
	Investment	Net profit	Rate, per cent	Investment	Net profit	Rate, per cent
Crop year, 1923	$66,480,401	$5,936,998	8.9	$78,161,430	$6,248,040	8.0
Calendar year, 1923	14,291,803	610,515	4.3	18,449,875	933,203	5.1
Average	80,772,204	6,547,513	8.1	96,611,305	7,181,243	7.4
Crop year, 1924	68,725,548	5,537,905	8.1	79,394,820	4,929,452	6.2
Calendar year, 1924	14,377,435	1,815,776	12.6	19,445,778	2,110,733	10.9
Average	83,102,983	7,353,681	8.8	98,840,598	7,040,185	7.1
Both crop years	135,205,949	11,474,903	8.5	157,556,250	11,177,492	7.1
Both calendar years	28,669,238	2,426,291	8.4	37,895,653	3,043,936	8.0

The predominating influence of crop-year figures in the foregoing averages is evident. The combined results should be considered with this fact in mind, especially in comparing financial results with contemporary price policies and other operating conditions. Taking the entire two-year period, however, the average financial results

for the two groups of companies were not unlike. Thus for the two crop years the average rate of return for the company business was 8.5 per cent as against 8.4 per cent for the two calendar years. For the milling business the difference was somewhat larger, the respective rates being 7.1 per cent and 8 per cent. The net profits for all 90 companies for 1923 and 1924 combined, were 8.5 per cent for the company business and 7.3 per cent for the milling business. (See Table 90.) These agree closely with the two-year averages for crop years of the 44 companies, which were 8.5 per cent and 7.1 per cent, respectively.

Section 6. Analysis of profits, 1923 and 1924.

In the preceding sections the profits of 90 milling companies for 1923 and 1924 have been presented in the form of general averages for the whole country. In this section these profits are analyzed somewhat further in order to throw light on local and individual variations.

Profits by geographical divisions.—The following table shows the rate of return on milling investment by geographical divisions (see p. 425), for the crop and calendar years, combined, 1923 and 1924:

TABLE 93.—*Two-year averages of net profits and rates of return on milling investment for 90 flour companies, by geographical divisions, 1923–1924*

(Crop and calendar years combined)

Division	Companies	Investment		Net profits		Rate of return		
		1923	1924	1923	1924	1923	1924	Average
						Per cent	*Per cent*	*Per cent*
Northwestern	22	$29,521,318	$30,149,959	$2,649,806	$2,765,749	9.0	9.2	9.1
Southwestern	25	22,830,550	23,033,607	1,166,392	1,101,863	5.1	4.8	4.9
Southeastern	10	4,713,242	4,734,195	381,268	472,222	8.1	10.0	9.0
Central and eastern	24	16,032,815	16,494,290	775,087	1,186,675	4.8	7.2	6.0
Mountain and coast	9	23,513,380	24,428,547	2,208,690	1,513,676	9.4	6.2	7.8
Totals	90	96,611,305	98,840,598	7,181,243	7,040,185	7.4	7.1	7.3

The rates of return for the companies in the different geographical divisions showed marked variations from the general average. Thus in 1924, the average rate of return was 7.1 per cent on milling investment, but ranged from 10 per cent for the 10 companies in the southeastern division to only 4.8 per cent for the 25 companies in the southwestern division. For the two-year period, however, the companies in the northwestern division had the highest average rate of return.

Somewhat more comprehensive returns obtained by the commission for 1919–1922, including also some very large companies not covered in 1923 and 1924, which were published in a previous report regarding this four-year period, show the highest rate of return for the northwestern division also, but the southwestern division was nearly as high with all the others considerably lower.[3]

Profits per barrel.—In the general statement regarding profits (see p. 427) the amounts of profit and of investment per barrel were shown, and for convenience both were stated on the basis of the number of

[3] Wheat Flour Milling Industry, 1924, p. 33.

barrels sold. In the following table unit figures are given in more detail by geographical divisions and are compared with the average rates of return:

TABLE 94.—*Milling investment and profits per barrel and rate of return on investment for 90 flour companies by geographical divisions, for 1923 and 1924 combined*

(Crop and calendar years combined)

Division	Barrels produced per company annually	Investment		Profits per barrel sold	Rate of return
		Per barrel produced	Per barrel sold		
					Per cent
Northwestern	554,802	$2.45	$2.40	$0.218	9.1
Southwestern	278,848	3.29	3.19	.158	4.9
Southeastern	138,457	3.41	3.36	.303	9.0
Central and eastern	158,874	4.27	4.18	.252	6.0
Mountain and coast	494,019	5.39	5.10	.396	7.8
Average	320,228	3.39	3.30	.240	7.3

There is not much difference between the investment per barrel produced and per barrel sold. For this period the former was a little higher for each geographical division in each year as well as for the two years combined, which is shown above. The highest average investment per barrel on either basis is found among the companies of the mountain and coast division and the lowest in those of the northwestern. The highest profit per barrel is also for the mountain and coast companies, but the lowest is for the southwestern companies.

The northwestern division has a comparatively low investment per barrel and an extremely high average of annual output per company, namely, 555,000 barrels as compared with 320,000 barrels for all of the companies. On the other hand, the mountain and coast division, which also has a comparatively high output per company, has a comparatively high investment per barrel. While the southwestern and southeastern companies rank second and third among the five groups in smallness of investment per barrel, they rank third and fifth in size of output per company. In other words, there is no general relation between investment per unit of output and quantity of output per company as might be supposed. Data are not available to make such a comparison by individual mills as distinguished from companies, which often have several mills.

Variations in profit in relation to size.—The analysis of profits according to size throws an important light on competitive conditions. The two most convenient forms of comparison are based on size of investment and on quantity of output.

For the purpose of determining the relations between profits and size of investment the following table gives the investment, profit, and average rate of return for this two-year period:

TABLE 95.—*Milling investment, net profit, and rate of return of 90 flour companies by investment groups, 1923 and 1924, combined*

(Crop and calendar years combined)

Investment group [1]	Annual average of group		Annual average per company		Rate of return
	Investment	Net profit	Investment	Net profit	
					Per cent
Under $250,000	$4,476,613	$296,902	$122,595	$8,119	6.6
$250,000 to $500,000	7,884,275	702,393	358,376	31,927	8.9
$500,000 to $1,000,000	10,834,440	1,071,418	747,836	74,648	9.9
$1,000,000 to $2,000,000	7,122,519	300,949	1,290,114	55,041	4.2
$2,000,000 and over	67,408,105	4,739,053	5,865,565	413,694	7.0
All companies	97,725,952	7,110,714	1,085,844	79,008	7.3

[1] The group within which a company's investment and net profit for a given year are placed is determined by its investment for that year. For this reason the number of companies was not exactly the same for each group in each year; the respective numbers were 36, 22, 15, 6, and 11 in 1923; and 37, 22, 14, 5, and 12 in 1924.

It may be added that the figures as to rate of return show about the same variation for individual years as for the two years combined. The most important fact seems to be that the companies of medium size show the highest rates of return. The group with the largest investment had a two-year average below the general average, but in 1923 it was a little above the average. The group with the lowest rate was that next to the largest in size, but the small number of companies in this group makes this figure less significant than the others. The average investment per company for the group which had the highest rate of return was about $750,000, and for the group with the next highest rate of return it was about $350,000. The average investment per company for the largest group was nearly $6,000,000, but it ranked third with respect to rate of profit. In this connection it should be noted also that this two-year period was one of comparatively low rates of return for the industry.

While in such statistical tests the true average rates of profit for each group are generally taken, it is interesting to note that simple averages show the same general result. This appears from the following statement comparing the above groups:

True average	Simple average
Per cent	*Per cent*
6.6	4.5
8.9	9.1
9.9	10.0
4.2	4.2
7.0	7.0
7.3	6.8

The middle group and the one next below it in size are the first and second in magnitude of rate of profit in each instance, while the group with the largest investment stands third.

The general results of a comparison by size of output are similar. The following table shows the average annual production, investment, and net profit for these 90 companies in several size groups, together with the average rate of return for the two years 1923 and 1924 combined.

TABLE 96.—*Production, milling investment, net profit, and rate of return of 90 flour companies, by production groups, 1923 and 1924, combined*

(Crop and calendar years combined)

Production group [1]	Average annual production of group	Annual average per company			Rate of return
		Production	Investment	Net profit	
	Barrels	*Barrels*			*Per cent*
Under 125,000 barrels	2,201,603	46,839	$196,234	$13,539	6.8
125,000 to 250,000 barrels	2,526,189	180,989	544,151	28,516	5.2
250,000 to 500,000 barrels	4,545,655	316,609	732,401	69,268	9.4
500,000 to 1,000,000 barrels	4,759,926	732,688	1,671,541	126,338	7.8
Over 1,000,000 barrels	14,787,174	1,848,397	7,442,287	531,485	7.1
All companies	28,820,547	320,228	1,085,844	79,008	7.3

[1] The group within which a company's production, investment, and net profit for a given year are placed is determined by its production for that year. For this reason the number of companies was not exactly the same for each group in each year; the respective numbers were 50, 13, 13, 6, and 8 in 1923; and 44, 15, 16, 7, and 8 in 1924.

It may be stated first that the results for the individual years show results generally similar to those for the two years combined. The companies of the middle group show the highest average rate of return. In 1923 it is the middle group and in 1924 the group next larger in average output. The average result for the group of largest companies is less than the average for all companies, though for the year 1923 it was a little above the average.

Variations among individual companies.—The variation in net profits on milling investment among individual companies was naturally quite wide. In 1923 the range was from a loss of 12.3 per cent to a profit of 40.5 per cent, no less than 18 companies showing a loss. In 1924 the range was from a loss of 43.1 per cent to a gain of 37.8 per cent, with 15 companies showing a loss. Taking the two years together 17 companies showed a loss, 18 a gain under 5 per cent, 26 a gain between 5 and 10 per cent, 12 a gain between 10 and 15 per cent, 11 a gain between 15 and 20 per cent, and 6 a gain between 20 and 40 per cent. The average gain for all companies for these two years was 7.3 per cent, as already shown. Among the 17 companies showing a loss the majority were companies with a small investment, but, on the other hand, most of the companies making unusually high profits were also small or of medium size.

A summary of the profit results on this basis according to the investment groups employed above is shown in the following statement:

Group	Number of companies showing loss	Number of companies showing profit					
		Under 5 per cent	5 to 10 per cent	10 to 15 per cent	15 to 20 per cent	20 to 40 per cent	Total
1	10	9	10	2	3	3	37
2	3	3	5	3	4	2	20
3	3		6	2	4	1	16
4	1	2		2			5
5		4	5	3			12
Total	17	18	26	12	11	6	90

Section 7. Analysis of costs, 1923 and 1924.

In referring to profits per barrel above (see Table 91) some approximate indications have been given already of the costs of production, but these data involve also expenses of one kind or another which are not properly elements of cost.

For the two years, 1923 and 1924, the total production costs of flour (less credits for by-products) and the costs per barrel, by geographical divisions were as follows:

TABLE 97.—*Total net cost of production of wheat flour for 90 flour companies, by geographical divisions, for 1923 and 1924, combined*

(Crop and calendar years combined)

Division	Production in barrels	Total net cost [1]	
		Amount	Per barrel
Northwestern	24,411,260	$136,426,017	$5.59
Southwestern	13,942,413	68,497,584	4.92
Southeastern	2,769,143	18,102,732	6.54
Central and eastern	7,625,928	44,677,583	5.85
Mountain and coast	8,892,350	43,726,235	4.92
Total	57,641,094	311,430,151	5.40

[1] Exclusive of selling expense.

It may be stated at the outset that the differences between the total net cost per barrel for the two years, 1923 and 1924, were not large. For all the companies the yearly averages were $5.46 per barrel for 1923 and $5.34 for 1924, a decrease of about 2 per cent in 1924. Similar small differences between 1923 and 1924 generally existed for the average cost of particular geographical divisions, except in the case of the mountain and coast division for which it was more considerable, being a decrease of a little over 7 per cent per barrel in 1924. For the central and eastern division there was a small increase in cost in 1924.

Comparing next the actual costs per barrel for different geographical divisions, the lowest average cost during this two-year period is found in the southwestern and mountain and coast divisions, $4.92 per barrel, and the highest in the southeastern division, $6.54 per barrel, as against a general average for all the companies of $5.40 per barrel. The range of average costs was, therefore, quite large; the reasons for these variations appear from a more particular analysis of the constituent elements of cost.

The following table shows the principal elements of cost of wheat flour, by geographical divisions, for the two years, 1923 and 1924, combined:

TABLE 98.—*Average cost of production per barrel of wheat flour by items for 90 companies, by geographical divisions for 1923 and 1924, combined*

(Crop and calendar years combined)

Division	Wheat	Labor	Other milling	Depreciation	Packages	General expense	Cost of flour and feed	Less feed credit	Net flour cost [1]
Northwestern	$5.61	$0.24	$0.17	$0.04	$0.30	$0.22	$6.58	$0.99	$5.59
Southwestern	4.92	.20	.19	.05	.28	.18	5.82	.90	4.92
Southeastern	6.30	.25	.46	.10	.46	.37	7.94	1.40	6.54
Central and eastern	5.87	.27	.19	.04	.32	.25	6.94	1.09	5.85
Mountain and coast	4.63	.34	.19	.06	.39	.22	5.83	.91	4.92
Average	5.36	.25	.19	.05	.32	.22	6.39	.99	5.40

[1] Exclusive of selling expense.

Before considering these items of cost in detail it may be stated that the averages for each item for all the companies were much the same in 1923 and 1924. While the total 1924 cost was 12 cents lower—$5.34 per barrel against $5.46 in 1923—more than half of this (7 cents) was due to a greater credit for feed and not to an actual decrease in gross cost of that amount. The difference in wheat cost accounts for the rest (5 cents) although two other items changed 1 cent each, but in opposite directions.

The most striking fact about these costs is the importance of wheat cost, amounting to almost as much as the total net cost of flour, which is explained by the incidental revenue from feed and other by-products. Disregarding this credit to cost the average gross cost of flour and feed was for all the companies $6.39 per barrel, and the cost for wheat was $5.36, or 83.9 per cent of the gross cost. The balance of this gross cost, which may be called the cost above wheat, was $1.03 per barrel, of which the principal items were, labor, $0.25; packages, $0.32; and general expense, $0.22 per barrel. The selling expense is not included in these cost items. The feed credit was $0.99 per barrel, or almost as much as the cost above wheat. The cost above wheat averaged $1.03 for each year, but the feed credit was $0.95 in 1923 and $1.02 in 1924.

When averages for the several geographical districts are considered, there is a subtantial variation in the average costs as already noted. This depends almost wholly on the principal item of cost, namely, wheat, which may be considered first. Wheat costs averaged $5.36 per barrel for all the divisions for these two years, but the range was from $4.63 in the mountain and coast division to $6.30 in the southeastern. The wheat costs most nearly approaching to the average were those of the southwestern and northwestern divisions. As to labor costs the range between divisions was from $0.20 per barrel for the southwestern to $0.34 per barrel for the mountain and coast. The highest labor cost was in the division having the lowest wheat cost, but even then the labor item is not very important. The differences in the costs of the other items are not generally significant; the southeastern division shows the highest figure in each case. The importance of wheat cost compared with all other elements results in a total cost of flour and feed, which generally varies in line with differences in wheat cost. The only exception is the mountain and coast division which has the lowest wheat cost but is just above the southwestern division in flour and feed cost. There are considerable differences between different geographical divisions in the credits for by-products; the lowest average for the two years was $0.90 per barrel for the southwestern division and the highest was $1.40 per barrel for the southeastern division. Except for the southeastern division none of them varied from the general average more than $0.10 per barrel.

The consideration of the items in detail only reenforces the general statement already made that the question of the cost of flour is very largely a question of the cost of wheat, but that this cost shows considerable local variations:

The costs for the 90 individual companies naturally show a wide variation also. For the year 1923 they ranged from $4.41 per barrel to $7.46 per barrel, and for the year 1924 from $4.13 per barrel to $8.58 per barrel. In 1923 there were 39 companies below the average, 1 at the average, and 50 above the average; for 1924, there were 35 below, 54 above, and 1 at the average. The averages, as already explained, are weighted averages. Further details of these variations are shown in appendix, Tables 24 and 25.

The relations of these costs to the quantity of production is shown in the following table:

TABLE 99.—*Costs of production of 90 flour companies compared with the quantity of production by cost groups, 1923 and 1924*

(Crop and calendar years combined)

Cost group	Number of companies		Average production per company		Proportion of total production	
	1923	1924	1923	1924	1923	1294
			Barrels	*Barrels*	*Per cent*	*Per cent*
$4 to $5 per barrel	20	17	482,342	498,033	33.8	29.1
$5 to $6 per barrel	49	41	301,213	389,678	51.8	54.9
$6 to $7 per barrel	15	28	254,280	156,651	13.4	15.0
$7 to $8 per barrel	6	3	48,913	97,347	1.0	1.0
Over $8 per barrel	0	1	----------	5,527	----------	(1)
Total	90	90	316,822	323,635	100.0	100.0

[1] Less than-one-tenth of 1 per cent.

In each year about one-third of the output of these 90 companies was produced at a cost of less than $5 per barrel, and a little over one-half at between $5 and $6 per barrel. The companies having costs under $5 per barrel in each year had a much larger volume of production than the higher cost groups. In fact, there was a complete correlation, so far as this grouping goes, between large output and low cost. It appears, therefore, that magnitude of output is a critical factor in cost, although as shown above (see p. 432) it does not control as respects rate of profit. Other factors besides cost which enter into profits are investment per unit of output and selling prices.

COMPARISON OF DATA FOR RECENT AND EARLIER PERIODS

Section 8. General results for 1919–1922.

The facts as to the costs and profits of flour milling have been reported on in connection with two previous inquiries of the commission, one of which covered the period from 1914 to 1918 and the other from 1919 to 1922. The latter period, which is of especial interest, will be considered next, with the object of showing in general a more comprehensive picture of conditions and also as a basis for establishing certain facts which enable a more extended statistical comparison to be made. The discussion in this section, therefore, relates to the results obtained for the period, 1919–1922, and to certain comparisons with the more recent results already discussed above.

The information presented in the report covering profits and costs for 1919–1922 [4] is not for identical companies, but is for 101 companies in 1919, 105 companies in 1920, 107 companies in 1921, and 101 companies in 1922. In all, 108 companies are included, but not

[4] Report of the Federal Trade Commission on the Wheat Flour Milling Industry, 1924, p. 27.

all of them in any one year. Ninety-five companies were common for all four years; the figures for the other companies were not large enough to appreciably affect the average results of the 95 companies. Results for these companies are included in this report because some of the larger milling companies reported for 1919 to 1922, inclusive, that refused to report for 1923 and 1924.

The production and sales of the companies reporting for 1919 to 1922 are as follows:

TABLE 100.—*Production and sales of wheat flour as reported by 101 flour companies* [1] *for 1919 to 1922, inclusive*

(Crop and calendar years combined)

Year	Production	Sales
	Barrels	*Barrels*
1919	49,963,077	50,057,008
1920	51,184,852	51,585,717
1921	46,234,207	47,061,412
1922	50,148,305	50,846,062
Average	49,382,610	49,887,550

[1] The number of companies varied from year to year; in 1919 there were 101, in 1920 there were 105, in 1921 there were 107, and in 1922 there were 101. Altogether 108 companies are included, of which 95 are for all 4 years.

The production and sales of these companies averaged over 49,000,000 barrels per year for 1919 to 1922, inclusive, or about 20,000,000 barrels per year greater than the production and sales of the 90 companies reporting for 1923 and 1924, and about 29,000,000 barrels per year greater than the production and sales of the 47 companies reporting for the entire six-year period 1919 to 1924, inclusive. (See pp. 424 and 440.)

The value of sales, costs of sales and expenses, and net income of the 101 companies are shown below:

TABLE 101.—*Value of sales, costs of sales, and net profit for company business and for milling business only, of 101 flour companies* [1] *for the four years 1919 to 1922, inclusive*

(Crop and calendar years combined)

COMPANY BUSINESS

Year	Value of sales [2]		Costs and all expenses		Net profit	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
1919	$531,060,424	$10.61	[3] $511,157,697	$10.21	$19,902,727	$0.40
1920	605,006,650	11.73	[3] 580,108,797	11.25	24,897,853	.48
1921	427,175,507	9.08	[3] 427,353,930	9.08	[4] 178,423	([5])
1922	334,847,344	6.58	[3] 320,105,338	6.29	14,742,006	.29
Average	474,522,481	9.51	[3] 459,681,440	9.21	14,841,041	.30

MILLING BUSINESS

1919	$531,060,424	$10.61	[6] $507,710,314	$10.14	$23,350,110	$0.47
1920	605,006,650	11.73	[6] 574,864,097	11.15	30,142,553	.58
1921	427,175,507	9.08	[6] 424,587,906	9.02	2,587,601	.06
1922	334,847,344	6.58	[6] 318,744,702	6.26	16,102,642	.32
Average	474,522,481	9.51	[6] 456,476,755	9.15	18,045,726	.36

[1] The number of companies varied from year to year; in 1919 there were 101, in 1920 there were 105, in 1921 there were 107, and in 1922 there were 101. Altogether 108 companies are included, of which 95 are for all 4 years.
[2] Sales of flour only. Sales of by-products are not included.
[3] Costs and selling expenses, including miscellaneous operating losses (less gains) and interest on bonds and borrowed money, less gains from outside investments and less credits for by-products.
[4] Loss.
[5] Loss of less than one-half of one cent.
[6] Costs and selling expenses, including miscellaneous operating losses (less gains) but not interest on bonds and borrowed money, less credits for by-products.

Value of sales per barrel increased from $10.61 in 1919 to $11.73 in 1920, and then decreased in each of the two following years to $6.58 in 1922. The costs and all expenses per barrel for the company business increased from $10.21 in 1919 to $11.25 in 1920, and then decreased in each of the two following years to $6.29 in 1922. The net income per barrel for the company business increased from 40 cents in 1919 to 48 cents in 1920, then decreased to a loss of less then one-half cent in 1921, and again increased to 29 cents in 1922. Costs and selling expenses per barrel for the milling business only increased from $10.14 in 1919 to $11.15 in 1920, and then decreased in each of the two following years to $6.26 in 1922. The net income per barrel for the milling business increased from 47 cents in 1919 to 58 cents in 1920, then decreased to 6 cents in 1921, and again increased to 32 cents in 1922. The average net profit per barrel during the four-year period for the company business was 30 cents, and for the milling business 36 cents.

The investment, net profit, and rate of return for the 101 companies are shown below:

TABLE 102.—*Investment, net profit, and rate of return for company business and for milling business only, of 101 flour companies for the four years 1919 to 1922, inclusive* [1]

(Crop and calendar years combined)

COMPANY BUSINESS

Year	Investment		Net profit		Rate of return
	Amount	Per barrel	Amount	Per barrel	
					Per cent
1919	[2] $108,716,031	$2.17	$19,902,727	$0.40	18.3
1920	[2] 119,224,326	2.31	24,897,853	.48	20.9
1921	[2] 121,582,813	2.59	[3] 178,423	([4])	4.1
1922	[2] 117,971,362	2.32	14,742,006	.29	12.5
Average	[2] 116,873,633	2.35	14,841,041	.30	12.7

MILLING BUSINESS

1919	[5] $167,511,980	$3.35	$23,350,110	$0.47	13.9
1920	[5] 202,894,375	3.93	30,142,553	.58	14.9
1921	[5] 164,697,057	3.50	2,587,601	.06	1.6
1922	[5] 148,096,392	2.91	16,102,642	.32	10.9
Average	[5] 170,799,951	3.42	18,045,726	.36	10.6

[1] The number of companies varied from year to year. In 1919, there were 101; in 1920, 105; in 1921, 107; and in 1922, 101. Altogether 108 companies are included, of which 95 are for all 4 years.
[2] The sum of the capital stock, surplus, and surplus reserves.
[3] Loss.
[4] Loss of less than one-half of 1 cent.
[5] Loss.
[6] The sum of the capital stock, surplus, surplus reserves, and borrowed money, less outside investments.

The company investment ranged from $2.17 per barrel in 1919 to $2.59 per barrel in 1921 and averaged $2.35 per barrel. The rate for the company business showed a loss of one-tenth of 1 per cent in 1921, and showed a gain during the other three years ranging from 12.5 per cent in 1922 to 20.9 per cent in 1920. The average for the four years was 12.7 per cent. The milling investment ranged from $2.91 in 1922 to $3.93 per barrel in 1920 and averaged $3.42 per barrel for the four-year period. The rate of return for the milling business ranged from 1.6 per cent in 1921 to 14.9 per cent in 1920 and averaged 10.6 per cent for the four-year period. While the company business

showed a smaller average net income per barrel for the four-year period than did the milling business—namely, 30 cents, as compared with 36 cents—yet the average rate of return for the company business was 12.7 per cent and that for the milling business was 10.6 per cent. The previous report of the commission from which these data were taken includes, of course, a much more extensive analysis of these data, to which reference is made for further details.

Section 9. Comparisons with 47 companies for 1919 to 1924.

In order to show the results of the flour-milling business from 1919 to 1924, the figures given in section 4 may be taken for the 90 companies (1923 and 1924) and from the preceding section for the 101 companies (1919 to 1922) but on this basis there might be some question as to the indicated trend of prices, costs, and profits, because of the lack of approximate identity in the companies included in each year. It is a fact, as already stated elsewhere (see p. 422), that certain of the largest companies for which data were obtained in the earlier period failed or refused to furnish corresponding data for 1923 and 1924, including the Washburn-Crosby, Pillsbury, and Kansas Flour Mills companies. While the absence of a considerable number of small companies might not be expected to have any appreciable influence on an average composed of the results of many small companies, a different situation might be supposed in case the very largest companies were included in one group but omitted in the other. Hence, in order to furnish a reliable index of the trend of prices, costs, and profits over the six-year period, data have been complied for the combined period 1919–1924 for 47 identical companies; and in order to show the representativeness of these data, comparisons of these are made with the 101 companies for 1919–1922 and with the 90 companies for 1923–1924 in this section.

The comparison between the group of 47 companies and the group of 101 companies is shown below.

TABLE 103.—*Net profit per barrel and rate of return for company business and for milling business only, of 47 flour companies and of 101 flour companies, for the four years 1919 to 1922, inclusive*

(Crop and calendar years combined)

COMPANY BUSINESS

Year	Net profit per barrel		Rate of return	
	47 companies	101 companies	47 companies	101 companies
			Per cent	*Per cent*
1919	$0.47	$0.40	17.6	18.3
1920	.59	.48	21.3	20.9
1921	.09	(1)	2.6	[2] 1.1
1922	.30	.29	9.9	12.5
Average	.37	.30	12.2	12.7

MILLING BUSINESS

1919	$0.53	$0.47	13.9	13.9
1920	.68	.58	15.9	14.9
1921	.12	.06	2.9	1.6
1922	.32	.32	9.1	10.9
Average	.42	.36	10.8	10.6

[1] Loss of less than one-half of 1 cent. [2] Loss.

The average net profit per barrel of the group of 47 companies for the four-year period was 7 cents greater than that of the group of 101 companies for the company business and 6 cents greater for the milling business. But the average rates of return of the two groups for the four-year period were practically the same—namely, 10.8 per cent and 10.6 per cent for the milling business and 12.2 and 12.7 per cent for the company business.

The comparison between the group of 47 companies and the group of 90 companies is shown below:

TABLE 104.—*Net profit per barrel and rate of return for company business and for milling business only, of 47 flour companies and of 90 flour companies, for the two years 1923 and 1924*

(Crop and calendar years combined)

COMPANY BUSINESS

Year	Net profit per barrel		Rate of return	
	47 companies	90 companies	47 companies	90 companies
			Per cent	*Per cent*
1923	$0.25	$0.22	8.6	8.1
1924	.26	.24	8.9	8.8
Average	.26	.23	8.8	8.5

MILLING BUSINESS

1923	$0.27	$0.25	7.8	7.4
1924	.24	.23	6.9	7.1
Average	.25	.24	7.3	7.3

During 1923 and 1924 the group of 47 companies and the group of 90 companies were very close together both on the net profit per barrel and on the rate of return for the company business and the milling business only.

The 47 companies may, therefore, be considered fairly representative on rate of return for the six-year period 1919 to 1924, inclusive, and on net profit per barrel during the three-year period 1922 to 1924 inclusive.

If the simple average is taken of the rates of return on company business for the 101 companies for 1919 to 1922 and for the 90 companies for 1923 and 1924 the result is 11.4 per cent, while the simple average of the 47 companies for the combined period (1919–1924) is almost the same—namely, 11.5 per cent. The yearly fluctuations are quite similar, as indicated in Tables 103 and 104. For convenience these rates are restated below:

Year	47 companies	101 companies	90 companies
1919	17.6	18.3	
1920	21.3	20.9	
1921	2.6	[1] 1.1	
1922	9.9	12.5	
1923	8.6		8.1
1924	8.9		8.8
Simple average	11.5	11.4	

[1] Loss

This comparison confirms the conclusion shown above on the basis of "true averages."

PROFITS AND COSTS FOR 47 COMPANIES, 1919 TO 1924

Section 10. General results for 47 milling companies, 1919 to 1924.

In the preceding sections of this chapter investment and net profits have been shown for the two groups of companies for different periods namely, for 90 companies during 1923 and 1924 and for 101 companies during 1919 to 1922, inclusive.

There were 47 identical companies in the two groups, so that it is possible to show results for these 47 companies for the six-year period 1919 to 1924, inclusive. This gives a longer period for comparison, which is important in showing both the trend of the industry and the average results for good and bad business years, so as not to unduly emphasize temporary factors affecting profits. It also makes possible certain statistical comparisons over a considerable period for which it is important to have identical companies.

The production and sales of the 47 companies are given below:

TABLE 105.—*Production and sales of wheat flour as reported by 47 milling companies for 1919 to 1924, inclusive*

(Crop and calendar years combined)

Year	Production	Sales
	Barrels	*Barrels*
1919	20,303,684	20,277,136
1920	21,583,148	21,871,486
1921	18,470,496	18,693,899
1922	20,229,848	20,415,162
1923	21,733,738	22,080,436
1924	21,988,228	22,511,522
Average	20,718,190	20,974,940

The production and the sales of wheat flour by the 47 companies averaged nearly 21,000,000 barrels per year during the six-year period 1919 to 1924, the sales averaging about 250,000 barrels per year more than the production.

Both production and sales were considerably smaller in 1921 than in any other year, and both were larger in 1924 than in any other year.

For this six-year period the average consumption of wheat by these 47 companies per barrel of flour produced was 4.56 bushels, ranging from 4.66 bushels for the companies of the northwestern division to 4.37 for those of the southeastern. The general average figure is the same for these 47 companies as for the 90 companies for 1923–24. For the individual years the averages for the 47 companies were as follows:

	Bushels		Bushels
1919	4.48	1922	4.58
1920	4.61	1923	4.56
1921	4.61	1924	4.55

The value of sales, costs and expenses of sales, and net income are shown below:

TABLE 106.—*Value of sales, costs and expenses of sales, and net profits for company business and for milling business, of 47 milling companies for the six years 1919 to 1924, inclusive*

(Crop and calendar years combined)

COMPANY BUSINESS

Year	Value of sales [1]		Costs and all expenses		Net profit	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
1919	$214,789,075	$10.59	[2] $205,264,653	$10.12	$9,524,422	$0.47
1920	256,626,316	11.73	[2] 243,870,486	11.14	12,755,830	.59
1921	172,605,117	9.24	[2] 170,982,844	9.15	1,622,273	.09
1922	137,396,133	6.73	[2] 131,181,305	6.43	6,214,828	.30
1923	131,556,860	5.96	[2] 125,951,800	5.71	5,605,060	.25
1924	129,375,836	5.75	[2] 123,426,938	5.49	5,948,898	.26
Average	173,724,889	8.28	[2] 166,779,670	7.95	6,945,219	.33

MILLING BUSINESS

1919	$214,789,075	$10.59	[3] $204,142,493	$10.06	$10,646,582	$0.53
1920	256,626,316	11.73	[3] 241,831,725	11.05	14,794,591	.68
1921	172,605,117	9.24	[3] 170,442,381	9.12	2,162,736	.12
1922	137,396,133	6.73	[3] 130,912,544	6.41	6,483,589	.32
1923	131,556,860	5.96	[3] 125,680,260	5.69	5,876,600	.27
1924	129,375,836	5.75	[3] 124,057,184	5.51	5,318,652	.24
Average	173,724,889	8.28	[3] 166,177,764	7.92	7,547,125	.36

[1] Sales of flour only. Sales of by-products are not included.
[2] Costs and selling expenses, including miscellaneous operating losses (less gains) and interest on bonds and borrowed money, less gains from outside investments and less credits from by-products.
[3] Costs and selling expenses, including miscellaneous operating losses (less gains) but not interest on bonds and borrowed money, less credits for by-products.

A striking fact is the steady decline in the amount of sales, which decreased each year, without exception, from $214,789,075 in 1919 to $129,375,836 in 1924. Taking the average amount for the period as a basis of comparison, the sales in 1919 were about 24 per cent and in 1920 about 48 per cent above the average, in 1921 a trifle below the average, in 1922 about 80 per cent of the average, and about 76 and 74 per cent, respectively, in 1923 and 1924. This decline in sales was not due to a declining volume of output, because, as shown above, the production was larger in the last two years than in the preceding years. It was merely the result of the very marked decline in the sales value of flour per barrel. Value of sales per barrel increased from $10.59 in 1919 to $11.73 in 1920, and then decreased in each of the four following years to $5.75 in 1924.

Costs and all expenses per barrel for the company business increased from $10.12 in 1919 to $11.14 in 1920, and then decreased each year to $5.49 in 1924. The profit per barrel was greatest at 59 cents in 1920 and smallest at 9 cents in 1921. During the last three years it ranged from 30 cents in 1922 to 25 cents in 1923. Costs and all expenses per barrel for the milling business increased from $10.06 in 1919 to $11.05 in 1920, and then decreased each year to $5.51 in 1924. The net profit per barrel was greatest at 68 cents in 1920 and smallest in 1921 at 12 cents. During the last three years, it ranged from 32 cents in 1922 to 24 cents in 1924. This steady decline in cost and expenses was slightly less than the decline in the sales value with the result that the profit per barrel likewise declined. The

profits per barrel were very high in 1919 and 1920 and at their lowest in the crisis year of 1921, when they were very small. For the last two years—1923 and 1924—they were 27 cents and 24 cents per barrel, respectively, on the milling business, or a little below the average for the whole period, which was 36 cents per barrel.

The investment, net income, and rate of return of the 47 companies are shown below:

TABLE 107.—*Investment, net profit, and rate of return for company business and for milling business of 47 flour companies, 1919 to 1924*

(Crop and calendar years combined)

COMPANY BUSINESS

Year	Investment [1]		Net profit		Rate of return
	Amount	Per barrel	Amount	Per barrel	
					Per cent
1919	$54,267,816	$2.68	$9,524,422	$0.47	17.6
1920	59,768,118	2.73	12,755,830	.59	21.3
1921	62,502,149	3.34	1,622,273	.09	2.6
1922	62,380,416	3.06	6,214,828	.30	9.9
1923	64,803,641	2.94	5,605,060	.25	8.6
1924	66,777,912	2.96	5,948,898	.26	8.9
Average	61,750,009	2.95	6,945,219	.33	11.2

MILLING BUSINESS

1919	$76,825,148	$3.79	$10,646,582	$0.53	13.9
1920	92,824,532	4.24	14,794,591	.68	15.9
1921	73,721,501	3.94	2,162,736	.12	2.9
1922	71,580,915	3.50	6,483,589	.32	9.1
1923	75,700,504	3.43	5,876,600	.27	7.8
1924	77,578,957	3.45	5,318,652	.24	6.9
Average	78,038,593	3.72	7,547,125	.36	9.7

[1] The investment for "company business" is the capital stock, surplus, and surplus reserves; for "milling business," the capital stock, surplus, surplus reserves, and borrowed money, less outside investments.

The investment of the 47 companies during this six-year period showed some increase for the companies, but for that part employed in the milling business this tendency is not evident. There was, however, considerable fluctuation, including a very large increase in 1920 and a sharp drop in 1921. In 1919 and 1920 the average monthly borrowings were very high compared with the later years, and their effects are evident in a comparision of the company investment with the milling investment. These variations in amount of investment, combined with changes in the volume of output, especially in 1921, caused marked variations in the investment per barrel. The company's investment per barrel ranged from $2.68 in 1919 to $3.34 in 1921. The rate of return for the company business ranged from 2.6 per cent in 1921 to 21.3 per cent in 1920. During the last three years the rate ranged from 8.6 per cent in 1923 to 9.9 per cent in 1922. The investment per barrel in the milling business ranged from $3.43 in 1923 to $4.24 in 1920. The rate of return for the milling business ranged from 2.9 per cent in 1921 to 15.9 per cent in 1920. During the last three years the rate decreased from 9.1 per cent in 1922 to 6.9 per cent in 1924.

The variations in profit during this period have already been commented on, especially the profit per barrel which shows the trend in a form more readily grasped. A comparision of these figures with the rates of return shows that changes in profits were the controlling factors (rather than changes in investment) in the variations of the rate of return. For the whole period the rate of return on the company investment averaged 11.2 per cent and for the milling investment 9.7 per cent. These figures are probably fairly normal. But in these average rates are included wide variations. For the company business this variation was from 21.3 per cent in 1920 to only 2.6 per cent in 1921. The rates are naturally lower and less variable for the milling business but showed the same trend.

Section 11. Analysis of profits, 47 companies, 1919–1924.

Variation by geographical divisions.—The business of the 47 companies (based on net profits) was distributed among the several geographical divisions in roughly the same proportion as the business of the 90 companies in 1923 and 1924. (See Table 93.) The average milling investment, net profit, and rate of return for these 47 companies for the six-year period 1919 to 1924 was, by geographical divisions, as follows:

Division	Milling investment	Net profit	Rate of return
			Per cent
Northwestern	$26,109,677	$3,074,434	11.8
Southwestern	11,086,822	1,113,612	10.0
Southeastern	4,489,581	279,104	6.2
Central and eastern	12,935,033	935,870	7.2
Mountain and coast	23,417,480	2,144,205	9.2
Total	78,038,593	7,547,225	9.7

While these results as to rate of profit are considerably different from the results of the 90 companies for the two years 1923 and 1924, if the figures for the 47 companies for 1923 and 1924 only are taken there is a general agreement between them, as shown by the following statement:

Division	47 companies		90 companies	
	1923	1924	1923	1924
	Per cent	*Per cent*	*Per cent*	*Per cent*
Northwestern	9.3	7.9	9.0	9.2
Southwestern	3.9	4.6	5.1	4.8
Southeastern	6.2	8.2	8.1	10.0
Central and eastern	5.3	7.4	4.8	7.2
Mountain and coast	9.5	6.3	9.4	6.2
Total	7.8	6.9	7.4	7.1

Variation by size groups.—The profits of the 47 companies may be compared for companies of different size, based on either investment or output.

Using the same investment groups as for the 90 companies, the following table shows the average rates of return for the 47 companies for the six years 1919 to 1924:

TABLE 108.—*Average rate of return on milling investment for 47 companies, grouped by size of investment, 1919–1924*

(Crop and calendar years combined)

Investment group [1]	Average annual investment of group	Average annual net profit of group	Rate of return
			Per cent
Under $250,000	$1,684,594	$177,864	10.6
$250,000 to $500,000	5,085,286	430,878	8.5
$500,000 to $1,000,000	7,209,480	756,096	10.5
$1,000,000 to $2,000,000	7,143,803	718,362	10.1
Over $2,000,000	56,915,430	5,463,925	9.6
All companies	78,038,593	7,547,125	9.7

[1] The group within which a company's investment and net profit are placed for a given year is determined by its investment for that year. For this reason the number of companies in a given group varies from year to year. (See Table 109.)

The number of companies in each investment group varied from year to year, as shown in the next table. While the companies having an investment of more than $2,000,000 were less than a fourth of the total number in any year, they had more than twice the investment of all the other companies. Their average rate of profit for this six-year period, however, was less than that of three of the other groups, although none of the groups showed a great departure from the average for all the groups.

The next table, which shows the rates of return by groups for each year, affords a better basis for detailed analysis.

TABLE 109.—*Rate of return on milling investment for 47 companies, grouped by size of investment, by years, 1919 to 1924*

(Crop and calendar years combined)

Investment group	1919		1920		1921		1922		1923		1924		1919–1924	
	Number	Rate	Number	Rate	Number	Rate	Number	Rate	Number	Rate	Number	Rate	Number	Rate
Under $250,000	11	24.6	5	4.3		2.8	11	10.2	8	4.2	9	8.5	5–11	10.6
$250,000 to $500,000	12	13.5	16	11.1	16	[1] 1.2	13	15.2	14	9.8	14	5.3	12–16	8.5
$500,000 to $1,000,000	9	19.7	8	17.9	7	[1] 4.5	10	12.5	13	6.8	12	10.1	7–13	10.5
$1,000,000 to $2,000,000	6	11.9	9	17.6	6	1.7	5	7.0	3	6.0	2	3.4	2–9	10.1
$2,000,000 and over	9	13.0	9	16.0	9	4.3	8	8.3	9	8.0	10	6.6	8–10	9.6
Average	47	13.9	47	15.9	47	2.9	47	9.1	47	7.8	47	6.9	47	9.7

[1] Loss.

Taking the six years together, the highest average rate of return was for the companies in the smallest investment group, and the next highest was the middle group. The lowest rate of return was for the next to the smallest investment group. Taking the years separately the middle group was the highest in two years but the lowest in one year. The next to the smallest group also had the highest rate in two years. The smallest group had the highest rate in only one year, and the largest group in one year also, in 1921, the year of lowest average rate of return. If the last two groups were combined the general ranking would not be changed, the percentage being only slightly raised. If these two groups combined are compared with the first three groups combined the latter have a slightly higher rate—the results being 9.65 per cent and 9.76 per cent, respectively.

Further light is thrown on the distribution of companies by size of investment and rate of profit in the following table for these 47 companies for 1919 to 1924:

TABLE 110.—*Number of companies classified by investment groups and rates of return for 47 companies, 1919 to 1924*

Investment group	Number of companies showing loss	Number of companies showing gain					
		Under 5 per cent	5 to 10 per cent	10 to 15 per cent	15 to 20 per cent	Over 20 per cent	Total
Under $250,000	1	1	2	1	2	1	8
$250,000 to $500,0000	1	5	4	3	1	2	16
$500,000 to $1,000,000		1	3	3	1	1	9
$1,000,000 to $2,000,000		1	2	2			5
Over $2,000,000		2	3	3	1		9
Total	2	10	14	12	5	4	47

The most striking fact about this table is that all but one of the companies making high rates of return (15 per cent and over) during the six-year period were eight small companies or those of medium size. Further, that the only companies making losses and the majority of companies averaging less than 5 per cent profit for the entire period were among the two lowest size groups. Over half of all the companies averaged returns from 5 to 15 per cent and there were nearly as many above that range as below it.

If, instead of the true average rate of return for the various investment groups of companies, the simple average is taken by companies in each group, the results are generally similar for the six-year period.

	True average	Simple average
Under $250,000	10.6	8.6
$250,000 to $500,000	8.5	9.1
$500,000 to $1,000,000	10.5	10.7
$1,000,000 to $2,000,000	10.1	9.9
Over $2,000,000	9.6	9.1
All companies	9.7	9.4

On the basis of simple averages, the middle group of companies has the highest rate of return, and the smallest investment group becomes the lowest in rank, instead of the highest.

The profits of these companies are compared next with respect to quantity of output. Taking first the six-year figures the results are shown in the following table:

TABLE 111.—*Average rate of return on milling investment for 47 companies, grouped by quantity of flour production, 1919 to 1924*

Production group [1]	Average annual production	Average annual investment	Average annual net profits	Average rate of return
	Barrels			*Per cent*
Under 125,000 barrels	1,260,300	$5,040,198	$329,498	6.5
125,000 to 250,000 barrels	1,909,966	6,737,816	371,846	5.5
250,000 to 500,000 barrels	3,199,352	7,674,886	1,119,546	14.6
500,000 to 1,000,000 barrels	3,093,002	10,549,729	712,937	6.8
Over 1,000,000 barrels	11,255,570	48,035,964	5,013,298	10.4
Average	20,718,190	78,038,593	7,547,125	9.7

[1] The group within which a company's production, investment and net profit for a given year are placed is determined by its production for that year. For this reason the number of companies in a given group varies from year to year. (See Table 112.)

The distribution of companies is considerably different in numbers on this basis (see next Table) than for the investment grouping used above (see Table 109, above). Especially there is a larger number in each year in the lowest class and a smaller number in the highest class. Over half of the total production and also of the total investment is found in the group having a company production of more than 1,000,000 barrels per annum. The highest average rate of return is found for the middle group, and the second highest for the group with the largest output, but there is a considerable difference between these two, and between the second one and all other groups. If the first three groups are combined and compared with the last two groups combined, the respective rates of return are 9.4 per cent and 9.8 per cent, or slightly greater for the companies with an output greater than 500,000 barrels per annum.

The next table shows the rate of return by groups for each year for purposes of more detailed comparison:

TABLE 112.—*Rate of return on milling investment for 47 companies grouped by quantity of production, by years, 1919 to 1924*

(Crop and calendar years combined)

Production group	1919		1920		1921		1922		1923		1924		1919–1924	
	Number	Rate	Number	Rate	Number	Rate	Number	Rate	Number	Rate	Number	Rate	Number	Rate
Under 125,000 barrels	16	15.4	18	7.8	19	[1] 3.2	19	9.3	17	4.3	15	7.0	15–19	6.5
125,000 to 250,000 barrels	12	14.0	9	9.1	12	[1] 3.4	8	8.0	9	4.7	11	3.0	8–12	5.5
250,000 to 500,000 barrels	10	18.0	9	21.1	7	5.4	10	12.9	10	12.8	9	11.6	7–10	14.6
500,000 to 1,000,000 barrels	4	11.0	4	18.3	3	[1] 7.6	4	8.4	4	3.3	5	7.7	3–5	6.8
Over 1,000,000 barrels	5	13.7	7	16.2	6	7.8	6	8.6	7	8.5	7	6.7	5–7	10.4
Average	47	13.9	47	15.9	47	2.9	47	9.1	47	7.8	47	6.9	47	9.7

[1] Loss.

The largest number of companies in any year was in the group of lowest production, and the next group generally had the next largest number of companies. The smallest number of companies in each year was in the group with the next to the largest output per company; in fact, the numbers are so small that the average is scarcely significant. The middle group of companies had the highest rate of return in five out of the six years. The lowest rate of return is found in half the years in the group with the second largest output per company. In the crisis year (1921) companies of large output showed losses as well as the small companies, while in the year of highest prices (1920) the companies with medium or large output had generally the highest rates of profit.

The general conclusion from this brief analysis is that the companies of medium size show slightly higher rates of profit than either the larger or the smaller companies. The data are not available to permit a special historical analysis of the conditions of prosperity of individual companies. Undoubtedly many small companies which are not well managed remain small on that account, while the more successfully managed small companies tend to increase their volume of business and investment. Whether growth beyond a medium size tends to reduce efficiency of management, as sometimes alleged, is scarcely indicated, however, by these figures.

Section 12. Analysis of costs, 47 companies, 1919 to 1924.

The total costs of wheat flour have varied widely in the six-year period, 1919 to 1924, as appears for these 47 companies in the following table:

TABLE 113.—*Costs of production of wheat flour for 47 companies, by years, 1919–1924*

(Crop and calendar years combined)

Year	Production in barrels	Total mill cost [1]	Cost per barrel
1919	20,303,684	$202,064,111	$9.95
1920	21,583,148	237,519,299	11.01
1921	18,470,496	161,344,904	8.74
1922	20,229,848	125,754,387	6.22
1923	21,733,738	119,456,572	5.50
1924	21,988,228	118,338,405	5.38
Average	20,718,190	160,746,280	7.76

[1] Exclusive of selling expenses, etc.

As noted in the footnote to the table, these costs are mill costs, exclusive of selling costs, or of other expenses than cost, such as interest on borrowed capital.

The output did not vary much (if 1921 is excepted), but the total mill cost in 1920, namely, $11.01, was about twice as large as in 1924, when the cost was the lowest, namely, $5.38 per barrel.

The steady decline in costs from 1920 corresponded in a general way to the movement of the cost of wheat per barrel of flour, as is shown by the following table:

Year	Wheat cost	Total mill cost	Year	Wheat cost	Total mill cost
1919	$10.14	$9.95	1922	$5.95	$6.22
1920	11.50	11.01	1923	5.37	5.50
1921	8.55	8.74	1924	5.36	5.38

The mill cost of flour per barrel was lower than the cost of the wheat used in 1919 and 1920, which is explained by the unusually high values for the by-products. After 1920 the positions were reversed, but in every year, except 1920, there was less than 30 cents difference between the wheat cost and the flour cost. The labor costs of flour ranged from 24 to 32 cents per barrel and packages from 27 to 51 cents; the other items were smaller in amount. The feed credits, on the other hand, were $1.30 per barrel in 1919 and $1.82 in 1920, but much lower thereafter; in 1922 they were only 75 cents per barrel.

The costs for the six-year period for each geographical district are shown in the following table:

TABLE 114.—*Average annual costs of production of wheat flour for 47 companies, by geographical divisions, 1919–1924, combined*

(Crop and calendar years combined)

Geographical divisions	Average annual production in barrels	Average annual total mill cost [1]	Cost per barrel
Northwestern	9,846,973	$78,618,429	$7.98
Southwestern	3,357,477	24,223,619	7.21
Southeastern	1,034,898	8,916,070	8.61
Central and eastern	2,429,233	19,920,656	8.20
Mountain and coast	4,049,609	29,067,506	7.18
Total average annual	20,718,190	160,746,280	7.76

[1] Exclusive of selling expense, etc.

These figures are not only of incidental interest in this connection but may be compared with those presented in Table 98. For the six-year period the lowest cost was in the mountain and coast division and the next to the lowest was in the southwestern division, while in the 1923–24 average of Table 98 these two divisions were also the lowest but showed the same cost. In both tables the highest cost was in the southeastern division and the next to the highest in the central and eastern division. If the averages for the 47 companies for the two years 1923 and 1924 were taken they would show the same ranking as for the six years.

The variations of cost between different companies and the proportions of production included in different cost groups are summarized in the following table for these six years:

TABLE 115.—*Number of companies, proportion of wheat flour produced at specified cost groups and average production per company for 47 companies, by years, 1919–1924*

(Crop and calendar years combined)

Cost group	Number of companies	Production in barrels		
		Total number	Per cent	Average per company
1919:				
$9–$9.99	25	12,774,295	62.9	510,972
$10–$10.99	18	7,099,088	35.0	394,394
$11–$11.99	4	430,301	2.1	107,575
Total	47	20,303,684	100.0	431,993
1920:				
$9–$9.99	6	4,224,792	19.6	704,132
$10–$10.99	16	6,321,441	29.3	395,090
$11–$11.99	17	6,159,132	28.5	362,302
$12–$12.99	8	4,877,783	22.6	609,723
Total	47	21,583,148	100.0	459,216
1921:				
$6–$6.99	3	311,932	1.7	103,977
$7–$7.99	11	2,241,418	12.1	203,765
$8–$8.99	16	10,156,489	55.0	634,780
$9–$9.99	11	5,132,328	27.8	466,575
$10–$10.99	4	504,601	2.7	126,150
$11–$11.99	2	123,728	.7	61,864
Total	47	18,470,496	100.0	392,989
1922:				
$5–$5.99	24	9,081,665	44.9	378,403
$6–$6.99	15	8,955,109	44.3	597,007
$7–$7.99	7	2,118,855	10.5	302,693
$8–$8.99	1	74,219	.3	74,219
Total	47	20,229,848	100.0	430,422
1923:				
$4–$4.99	9	5,933,569	27.3	659,285
$5–$5.99	27	12,875,300	59.3	476,863
$6–$6.99	8	2,654,648	12.2	331,831
$7–$7.99	3	270,221	1.2	90,074
Total	47	21,733,738	100.0	462,420
1924:				
$4–$4.99	11	5,755,378	26.2	523,216
$5–$5.99	22	13,135,600	59.7	597,073
$6–$6.99	12	2,821,148	12.8	235,096
$7–$7.99	2	276,102	1.3	138,051
Total	47	21,988,228	100.0	467,835

In 1920 the costs ran higher than in 1919 and showed a wider range. Moreover, the group with the highest costs was not only large but also included companies with an exceptionally large individual production. In 1921 there was an even greater variation in cost, and the costs for a majority of the companies were considerably under anything in 1919 or 1920. The year 1922 showed a further decline with less variation in the ranges of cost, which was further developed in 1923 and 1924 at a lower and more stabilized level. The highest costs in these two years were far below the lowest costs in 1919 and 1920. The comparatively high-cost companies represented a very small proportion of the total production, the bulk of it being found in the cost group next to the lowest, whether number of companies or total output be regarded.

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PART III

WHEAT MARGINS

CHAPTER XII

WHEAT HANDLERS' MARGINS

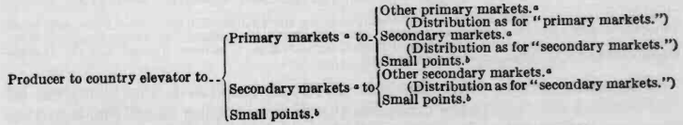
Section 1. General statement.

The present chapter is concerned with the gross margins of middlemen for the handling of wheat from producer to flour mill, together with the transportation costs involved in this movement. A considerable portion of the wheat crop is exported or converted into feed or cereal product, but the primary concern of this chapter is with that part destined for the flour mill.[1]

Two groups of middlemen are involved in this movement of wheat from producer to mill—the country elevator and the terminal elevator and other agencies at terminal points. The second of these groups is found at both primary and secondary markets.[2]

The following chart shows the typical movement of wheat from producer to consumer:

Marketing movement of wheat



[a] A part of the wheat received is consumed locally at these points, and a part is exported.
[b] The wheat received at these points is largely for consumption by local flour mills or other converters.

The bulk of the wheat received by the country elevator moves first to the primary market. The remainder goes either to small points where it is consumed or to the secondary markets—markets which receive the most of their wheat from primary markets. Some of the wheat received in the primary markets, at which many flour mills and other converters are located, is there consumed. Another portion goes to other primary markets. Still another portion goes to the secondary markets, and another to small points for consumption. Finally some of the wheat received at this market goes directly for export. The wheat received by the secondary market is consumed locally, sent to other secondary markets, sent to small points for consumption, or exported.

The second of the two groups of middlemen referred to above, the terminal handling agencies, are located principally in the primary and secondary markets. These are terminal elevator operators, commission men, brokers, jobbers, shippers, exporters, and other dealers.

Because of the obvious influence of the volume of wheat handled and prices on middlemen's handling margins, wheat production and prices are briefly considered in the following section.

Section 2. Production and prices of wheat.

In this section production figures for and prices of wheat are presented for the years for which margins are shown. (Tables 116–122.) A comparison of these figures (Table 116) shows the general tendency for prices to be low when production is large.

[1] Because of the presentation in an earlier chapter of this report of the distribution of the consumer's price of bread for the three years, 1922–1924, particular attention is given to these years in this chapter.
[2] Primary markets are those which receive their shipments of grain chiefly from country points, while secondary markets are those receiving grain shipments chiefly from primary markets.

The following table shows the yearly production of wheat in the United States, the combined production in other countries, and the total production for the world, together with Chicago average cash prices for the corresponding years:

TABLE 116.—*Production of wheat in the United States, other countries, and total world; and yearly average prices of cash wheat at Chicago,[1] 1912–13 to 1925–26*

Crop year	Production, in thousands of bushels			Price, Chicago, cents per bushel
	United States	Other countries	World total	
1912–13	730,267	3,052,521	3,782,788	93.28
1913–14	763,380	3,248,374	4,011,754	90.55
1914–15	891,017	2,697,971	3,588,988	126.66
1915–16	1,025,801	1,118,858	2,144,659	113.58
1916–17	636,318	1,879,273	2,515,591	190.46
1918–19	636,655	1,790,183	2,426,838	219.51
1919–20	921,438	1,853,439	2,774,877	232.59
1920–21	967,979	1,700,722	2,668,701	249.87
1921–22	833,027	2,059,961	2,892,988	192.55
1922–23	814,905	2,488,844	3,303,749	123.03
1923–24	867,598	2,530,050	3,397,648	116.64
1924–25	797,394	2,753,606	3,551,000	108.91
1925–26	864,428	2,280,572	3,145,000	157.42
	676,429	2,723,571	3,400,000	165.83

[1] Prices are for cash wheat of contract grade compiled from the Year Book of the Chicago Board of Trade and are averages of monthly averages of means of daily highs and lows. Detailed figures by months to July, 1920, may be found in the report of the Federal Trade Commission on "The Grain Trade," Vol. IV, Middlemen's Profits and Margins, Appendix Table 1.

The table shows that the year 1919–20 besides being the year of the highest average price was also the year in which the United States had the greatest production with the exception of the year 1915–16. Compared with 1909, the increase in production was about 40 per cent. Although the production in 1915–16 exceeded that of the year 1919–20 by about 58,000,000 bushels, or nearly 9 per cent, the acreage was decreased by 15,225,000 acres, or slightly more than 25 per cent.

The production figure shows more variations of increases and decreases following the 1919–20 crop, there being two crop years of the six, each of which shows an increased production over the year immediately preceding it. The year 1924–25 shows a production about 8 per cent greater than that of the preceding year, but there was a reduction of 12 per cent in acreage.

Climatic conditions, black stem rust, and destruction by grasshoppers are said to have been causes of a lower yield in the Northwestern States in the crop year of 1923–24 than there had been for a number of years. These, in part, were responsible for the lower yield shown for the whole United States for that year.

The years for which margins of both country and terminal elevators are given cover a period of extraordinary price increases and decreases. Since these price changes are responsible for some of the changes in the financial results shown, they are of considerable importance.

The table shows that the price of wheat, averaged for the four years 1916–17 to 1919–20, was more than twice as great as it was in the four years 1912–13 to 1915–16, the highest price being reached in 1919–20. A decline in prices began in 1920–21 with a decrease in the average for the year of about 23 per cent and further decreases amounting to 36 per cent in 1921–22, 5 per cent in 1922–23, and about 7 per cent in 1923–24.[3] Following the shortage in the world crop in 1924, contrary to the usual order, the larger crop in the United States brought higher prices, the farm price on December 15 of that year (1924) being 141.1 cents a bushel, as compared with 94.5 cents a bushel on December 15 of the preceding year. Because nearly three-fourths of the crop was harvested before the price made its greatest advance, the average price received by farmers for all marketings from July 1 to December 31, 1924, was estimated by the Department of Agriculture to be only $1.24 a bushel. The same authority states:

[3] Seven causes of the decline in 1920 wheat prices given in a former report of the commission are: (1) Condition of world supply; (2) concentrated governmental buying by European powers; (3) imports from Canada; (4) record-breaking harvests of corn and oats; (5) a decided falling off in the domestic demand for flour during the latter part of 1920; (6) the general price deflation; (7) credit conditions.—(Federal Trade Commission report on Wheat Prices for the 1920 Crop, pp. 6-7.)

> An average farm price of wheat in the United States on August 15 of $1.40 a bushel would have been necessary to give that grain its pre-war purchasing power.[4]

Concerning prices for 1925, the Department of Agriculture states:

> Farmers are receiving better prices for their products than at any time in the past five years.[5] * * * Farmers received for their wheat at the beginning of the season prices considerably higher than those of last year. Last year, however, on account of a small world crop, prices moved rapidly upward from the beginning of the season until February. We are facing a different situation this year in that the world crop is much larger. In many parts of the country the higher prices thus far received are not sufficient to offset the reduction in the crop yield so that farmers may not receive as great a return from this year's crop as they received from last year's.[6]

The price which wheat commands is to a considerable extent influenced by its quality and grade. Prices paid at terminal markets reflect much more accurately the variations in quality than do prices paid at country points.

Section 3. Country elevator margins.

Gross margins on the handling of wheat for country elevators for the years 1912–13 to 1924–25, except 1918–19,[7] are shown in this section. While these margins are not for exactly the same companies in all years, nor for the same number of companies, the results, obtained by the same methods, are sufficiently similar to permit their presentation for comparison.

Because of the common practice of the country elevator of conducting the grain business jointly with other lines, such as coal, lumber, and feed, the handling costs for which can not easily be segregated, no attempt is made to separate the gross margin on the handling of wheat into costs and profits.

Margins for all country elevators combined.—The following table shows the gross margins in cents per bushel of wheat for all country elevators reporting to the commisison, together with the number of elevators and bushels sold. Line,[8] cooperative, and independent[9] elevators are included in most of the years. Results for mill-owned elevators are not shown.[10] The wide variation in the number of elevators reporting for the several years is partly due to the fact that not all classes of country elevators were requested to report for some of the years.

[4] U. S. Department of Agriculture Year Book, 1924, pp. 6, 7.
[5] U. S. Department of Agriculture Year Book, 1925, p. 2.
[6] U. S. Department of Agriculture Year Book, 1925, p. 6.
[7] Results were not requested of country elevators by the commission for all these years but were received for all except 1918–19. Results for years prior to 1920–21 appear in detail in Vol. IV of the commission's report on "The Grain Trade." Results for later years were compiled from schedules furnished the commission by the elevators.
[8] This term refers to a large group or line of country elevators located at different points, but operated by a single company engaged in the merchandising of grain for profit.
[9] A single elevator engaged in buying and selling grain for profit.
[10] Results not shown, chiefly because most of the grain handled by such elevators is not merchandised.

The results for the years prior to 1920–21 represent returns from 14 States and for that year and the years following from 12 States. For the earlier period 10 line companies are represented with headquarters in Minneapolis and with lines extending principally through four Northwestern States—Minnesota, North Dakota, South Dakota, and Montana, the grain handled from these States being from 50 to 60 per cent wheat, whereas only from 20 to 40 per cent of the volume handled by the cooperatives and independents is wheat. For the later period 11 line companies are represented with lines extending through eight States: Illinois, Kansas, Minnesota, Montana, Nebraska, North Dakota, Ohio, and Oklahoma.

TABLE 117.—*Gross margins on wheat for country elevators (line, independent, and cooperative), both before including hedges and including hedges,*[1] *together with number of elevators and bushels sold, for specified years* [2]

Crop year	Number of elevators	Bushels sold	Gross margins per bushel	
			Before including hedges	Including hedges
			Cents	*Cents*
1912–13 [3]	534	20,991,444	4.37	5.10
1913–14	801	29,875,519	4.13	4.12
1914–15	700	24,025,291	9.08	5.41
1915–16	994	48,312,921	3.79	3.84
1916–17	1,251	34,822,719	10.08	8.21
1912–13 to 1916–17		158,027,894	6.12	5.26
1913–14, 1915–16, and 1916–17		113,011,159	5.82	5.26
1917–18	264	5,660,744	9.29	[4] 8.90
1919–20	1,057	27,443,856	13.29	[4] 13.26
1920–21	86	3,236,137	7.10	3.50
1921–22	154	8,311,022	4.96	4.67
1922–23	163	8,037,955	5.55	5.52
1923–24	435	20,126,419	4.68	4.62
1924–25	290	15,954,241	4.59	4.74
1920–21 to 1924–25		55,665,774	4.96	4.73
1921–22 to 1923–24		36,475,396	4.94	4.83

[1] Losses or gains on futures sold against grain purchased or bought to protect sales of grain not covered by cash purchases.

[2] From nonline country elevators, returns were originally requested for the three crop years, 1913–14, 1915–16, and 1916–17. Subsequently schedules were sent out to cover the crop year 1919–20. Many elevators also returned results for years intermediate to those asked for, except 1918–19. The results for line country elevators covered the years 1912–13 to 1916–17 and 1919–20. Results for years prior to 1920–21, except the figures of the last column of the table, appear in Vol. IV of the commission's report on "The Grain Trade." Results for later years were compiled from schedules furnished the commission by the elevators.

[3] Figures for line elevators only.

[4] It is assumed that the hedging reported was in other grain futures, since trading in wheat futures was discontinued during the war and was not resumed until July, 1920.

By reference to the above table and that preceding it relating to wheat production and prices, it will be noted that the year of the greatest average gross margin, 1919–20, is also the year of the highest average price and of the greatest United States production, except that the year 1915–16 shows a larger production. This latter year is one of relatively low prices and also shows the lowest average margin before including hedges.

The variations in gross margins for the several years are due to a considerable number of factors, but prices and volume of business are of great importance. When prices are high elevator margins tend to be large, but when there is an increase in the volume handled there is a tendency toward lower gross margins per bushel.

Margins for country elevators by classes and States.—Gross margins for country elevators by States are shown in the following table.

Margins for independents and cooperatives are for 11 of the chief grain-producing States for the years 1913–14, 1915–16, 1916–17, and 1919–20 [11] and for 12 States for the years 1920–21 to 1924–25, inclusive. Two States are included in the group for the later period which are not found in the group for the earlier, and one in the group for the earlier not found in the group for the later.

Margins for the line elevators are for four States for the earlier period and for one or more of eight States for each year of the later period. For the earlier period each line elevator company represented in the group had stations in the four States shown in the table. Because it was not possible to segregate margins by stations it is necessary to show combined margins for the four States.

TABLE 118.—*Gross margins on wheat for line, independent and cooperative country elevators, both before including hedges and including hedges, by specified States, and years* [1]

[In cents per bushel]

State	1913–14 [1]		1915–16 [1]		1915–17 [1]		1919–20 [1]	
	Before including hedges	Including hedges	Before including hedges	Including hedges	Before including hedges	Including hedges	Before including hedges	Including hedges
INDEPENDENT								
Illinois	4.37	4.31	9.49	9.21	8.11	8.11	6.32	6.32
Indiana	6.21	6.21	5.94	5.94	10.78	10.78	9.00	9.00
Iowa	3.48	3.48	6.53	6.53	16.38	16.23	10.40	10.40
Kansas	3.89	3.89	4.69	5.14	8.52	8.31	8.75	8.75
Minnesota	3.96	3.86	5.94	5.79	10.42	10.13	10.45	[3] 10.41
Missouri	6.21	6.21	5.94	5.94	10.78	10.78	9.00	9.00
Montana	15.28	15.28	6.81	6.51	10.17	9.07	18.80	[3] 18.70
Nebraska	6.34	6.34	6.89	6.89	10.17	10.17	13.51	13.51
North Dakota	2.08	2.07	4.06	4.16	9.10	7.76	14.08	[3] 13.99
South Dakota	3.54	3.52	4.59	4.52	10.78	10.78	13.61	13.61
Wisconsin	6.21	6.21	5.94	5.94	10.78	10.78	9.00	9.00
Total 11 States	9.15	4.79	5.49	5.45	9.76	9.41	11.57	[3] 11.54
COOPERATIVE								
Illinois	1.43	1.43	1.65	1.65	4.81	4.77	5.65	5.65
Indiana	3.31	3.31	5.60	6.20	6.13	7.11	8.23	8.23
Iowa	2.35	2.35	5.19	5.19	6.62	6.62	10.51	10.51
Kansas	2.26	2.26	5.98	5.46	7.16	7.22	13.20	13.20
Minnesota	2.20	2.21	3.40	3.34	7.17	6.59	9.33	9.33
Missouri	3.31	3.31	5.60	6.20	6.13	7.11	8.23	8.23
Montana	5.68	5.68	4.88	5.11	10.82	8.98	19.10	[3] 18.88
Nebraska	1.88	3.27	6.15	4.83	8.14	7.85	12.54	12.54
North Dakota	2.46	2.44	2.77	3.21	6.67	7.12	13.49	[3] 13.29
South Dakota	2.56	2.56	2.76	3.28	7.08	7.38	16.42	[3] 16.29
Wisconsin	3.31	3.31	5.60	6.20	6.13	7.11	8.23	8.23
Total 11 States	2.63	2.78	3.89	3.95	7.60	7.47	13.64	[3] 13.53
LINE [2]								
Minnesota, Montana, North Dakota, South Dakota	4.84	4.79	3.92	3.90	14.85	9.25	17.84	17.84

[1] Margins of independents and cooperatives except totals for 1913–14, 1915–16, 1916–17, and 1919–20 are compiled from Appendix Table 81, Vol IV, "The Grain Trade," and margins of lines for the same years from Appendix Table 82.

[2] The line elevator companies represented in this group had stations in the four States. Margins were not segregated by stations, hence the combined margins for the four States.

[3] It is assumed that the hedging reported for 1919–20 was in other grain futures, since trading in wheat futures was discontinued during the war and was not resumed until July, 1920.

[11] From nonline country elevators, returns were originally requested for the three crop years, 1913–14, 1915–16, and 1916–17. Subsequently schedules were sent out to cover the crop year 1919–20. Many elevators also returned results for years intermediate to those asked for, except 1918–19, but these are probably less representative owing to the smaller number of elevators and are not included here. The results for line country elevators covered the years 1912–13 to 1916–17 and 1919–20.

TABLE 118.—*Gross margins on wheat for line, independent, and cooperative country elevators, both before including hedges and including hedges, by specified States and years*—Continued

[In cents per bushel]

INDEPENDENT

State	1920–21		1921–22		1922–23		1923–24		1924–25	
	Before including hedges	Including hedges	Before including hedges	Including hedges	Before including hedges	Including hedges	Before including hedges	Including hedges	Before including hedges	Including hedges
Illinois	7.68	7.68	3.95	3.46	4.80	4.61	2.11	3.03	4.53	6.82
Indiana	1.34	1.34	1.69	1.69	1.23	.65	5.67	5.67	8.14	8.08
Iowa	8.52	8.52			3.81	3.81	3.41	3.41	4.96	6.25
Kansas	2.26	2.26	5.20	5.06	5.38	5.38	4.03	3.98	5.30	5.27
Minnesota	.65	[1] 8.36	4.06	2.38	6.22	6.52	5.39	5.44	6.21	7.27
Missouri	6.00	6.00	11.68	11.68	5.70	6.02	3.74	3.94	4.72	4.77
Montana							6.18	6.18	16.79	16.79
Nebraska	6.79	6.79	4.18	3.66	[1] 2.66	[1] 2.66	.96	1.15	3.69	3.90
North Dakota	10.99	3.02	10.07	8.83	8.15	8.26	4.61	4.98	3.85	4.12
Ohio			7.11	7.11	4.78	4.78	5.15	5.15	14.89	14.89
Oklahoma			3.48	4.07	[1] 3.36	[1] 3.36	2.72	[1] 8.33	6.39	6.39
South Dakota	.94	.94	[1] 1.74	[1] 2.65	3.75	3.78	4.73	4.48	8.10	7.66
Total 12 States	7.10	3.63	5.16	4.84	5.62	5.74	3.97	4.16	5.43	5.80

COOPERATIVE

Illinois	1.22	1.22	3.73	3.99	4.60	4.64	3.73	3.54	4.04	4.36
Indiana			3.55	3.55			3.64	3.64	6.00	6.00
Iowa					4.42	4.42	5.32	5.32	[1] 1.78	[1] 1.78
Kansas	4.88	4.88	3.31	3.31	4.62	4.62	4.04	4.04	4.48	4.44
Minnesota	3.27	3.11	[1] 1.32	[1] 1.32	6.37	6.32	5.29	5.07		
Missouri			14.75	14.75	5.04	5.04	4.45	4.45	4.85	4.85
Montana			7.77	7.33	9.08	9.08	6.14	6.12	6.04	6.11
Nebraska	3.40	3.40	3.52	3.59	2.31	2.31	3.26	3.20	3.48	3.50
North Dakota	13.03	2.38	7.80	7.85	6.88	6.63	5.83	5.67	5.45	4.54
Ohio	[1] 8.67	[1] 8.67	2.20	2.20	5.84	5.84	4.57	4.67	5.84	5.84
Oklahoma			3.44	3.44	4.90	4.90	5.42	4.75	3.69	3.69
South Dakota	9.07	7.44	6.33	1.47	5.89	5.91	5.05	4.82	1.50	1.50
Total 12 States	7.10	3.41	4.92	4.64	5.41	5.34	4.90	4.75	4.19	4.22

LINE

Illinois			0.55	0.55	6.14	6.14	7.56	7.56		
Kansas									1.25	1.25
Minnesota			1.88	2.09			3.97	4.54		
Montana					13.30	10.38	7.46	7.31		
Nebraska			3.65	3.65			.11	.11		
North Dakota					11.80	11.75	4.30	5.71		
Ohio							5.56	5.56	8.82	8.82
Oklahoma	5.08	5.08					6.69	6.69		
Total 8 States	5.08	5.08	2.20	2.27	10.74	10.00	5.91	6.16	1.99	1.99

[1] Loss.

Through the four years of the earlier period there was generally a gradual advance in the average margins for the 11 States as a whole for both independent and cooperative elevators. For the independents the average margin before including hedges was, in 1913–14, 9.15 cents per bushel, and in 1919–20, 11.57 cents, and for the cooperatives 2.63 cents and 13.64 cents, respectively. In the case of the line elevators there was one exception to this advance. The average

margin of the year 1915–16, 3.92 cents before including hedges, was lower than that of 1913–14. In 1919–20 it was 17.84 cents. On the whole, average margins in this earlier period were the lowest for cooperatives. For independent and cooperative elevators there was a considerable range in the margins by States. For 1913–14 this range for margins before including hedges was for independents from 2.08 cents per bushel in North Dakota to 15.28 cents in Montana, and for cooperatives from 1.43 cents in Illinios to 5.68 cents in Montana. For 1919–20 this range was for independents from 6.32 cents in Illinois to 18.80 cents in Montana and for cooperatives from 5.65 cents in Illinois to 19.10 cents in Montana.

Where the margin of a given year appearing in the column "Before including hedges" is the same as that in the column "Including hedges," either there was no hedging or the hedging was too slight to affect materially the average margin on a bushel of wheat. Comparing the total average margins in these two columns, the line companies show a hedging loss for three years out of the four of the earlier period, though the loss was small in one year. The independents show a hedging loss for each year out of the four and the cooperatives for two years.

For the five years of the later period the margins show no consistent trend in one direction, although they were lower in the first year of the period, 1920–21, than in the preceding year, and higher than in the last year, 1924–25. The margin before including hedges in the latter year was 5.43 cents per bushel for independents, 4.19 cents for cooperatives, and 1.99 cents for line elevators.

With the exception of 1923–24, margins for cooperatives were as low as, or lower than, those for independents. Line margins were higher than those for either cooperatives or independents in the two years 1922–1924 and lower in the other three years. Except for the year 1923–24, however, there were not margins from a sufficient number of States in the total line margins to give assurance that the totals are representative of all line margins for their respective years.

Comparing for the later period the totals for the margins before including hedges with those including hedges, hedging gains for independents were more common than losses and hedging losses for cooperatives more common than gains. For the three years in which line hedging appears in the totals, hedging gains are shown in two years.

Margins of line and nonline country elevators compared.—In the following table gross margins on wheat for line country elevators, combined into one figure for each year, are compared with like margins for nonline country elevators (cooperative and independent), the margin of no State being included in the one group for which margins are not available and included in the other group. Comparison could not be made for 1920–21, since margins for no State were available for both groups.

In the earlier period the gross margins of the line elevators were uniformly higher than those of the nonline, but in the later period for only the years 1922–1924.

TABLE 119.—*Average gross margins on wheat for line and nonline country elevators [1] for specified years [2]*

[In cents per bushel]

	Before including hedges		Including hedges	
	Line	Nonline	Line	Nonline
1913–14 [3]	4.84	3.11	4.79	3.09
1915–16 [3]	3.92	3.61	3.90	3.84
1916–17 [3]	14.85	8.42	9.25	8.02
1919–20 [3]	17.84	13.31	17.84	13.21
1920–21 [4]				
1921–22 [5]				
1922–23 [6]	2.20	3.49	2.27	3.62
1923–24 [7]	10.74	6.55	10.00	6.38
1924–25 [8]	5.91	5.14	6.16	4.96
	1.99	4.64	1.99	4.60

[1] The margins of no States are included in the line group for which margins in the nonline groups are not available, and vice versa.
[2] Margins of line elevators for 1913–14, 1915–16, 1916–17, and 1919–20 are compiled from Appendix Table 82, Vol. IV, "The Grain Trade."
[3] States represented by the margins for this year are Minnesota, North Dakota, South Dakota, and Montana.
[4] Comparison could not be made for this year, since margins for no State were available for both groups.
[5] States represented by the margins for this year are Illinois, Minnesota, and Nebraska.
[6] States represented by the margins for this year are Illinois, Montana, and North Dakota.
[7] States represented by the margins for this year are Illinois, Minnesota, Montana, Nebraska, North Dakota, Ohio, and Oklahoma.
[8] States represented by the margins for this year are Kansas and Ohio.

Section 4. Terminal middlemen's margins.

Margins for terminal elevator operators.—The most important class of terminal middlemen is that of terminal elevator operators. A brief summary of the gross margins for this class for the five-year period 1912–13 to 1916–17 and for 1919–20, published in a former report of the commission,[12] is here presented. The markets covered are Minneapolis, Duluth, Kansas City, and St. Louis for all years, and Chicago for 1919–20.

The following table shows the gross margins on wheat by years for each market separately (except for Kansas City and St. Louis) and for all markets combined from which data were secured:

TABLE 120.—*Gross margins on wheat for terminal elevators [1] reporting to the commission for specified markets and years [2]*

(In cents per bushel)

Year	Minneapolis		Duluth		Kansas City and St. Louis		Chicago		All markets	
	Before including hedges	Including hedges	Before including hedges	Including hedges	Before including hedges	Including hedges	Before including hedges	Including hedges	Before including hedges	Including hedges
1912–13	4.38	6.65	2.06	2.67	3.36	3.58			2.78	3.57
1913–14	3.23	4.57	1.39	1.66	2.23	3.15			1.93	2.55
1914–15	18.55	6.32	11.88	4.08	11.60	9.68			12.70	6.42
1915–16	10.02	2.62	2.52	2.29	2.51	2.03			3.49	2.27
1916–17	20.84	6.57	38.74	8.43	12.24	6.08			25.18	7.19
5-year average	9.90	5.22	7.95	3.26	7.26	5.56			8.04	4.26
1919–20 [3]	8.80	8.80	6.64	6.64	8.48	8.48	6.71	6.71	7.45	7.45

[1] See following table for number of elevator companies reporting and bushels sold.
[2] Margins except for Chicago compiled from Appendix Table 16, Vol. IV, "The Grain Trade."
[3] No hedging.

[12] Vol. IV of "The Grain Trade."

Minneapolis on the whole shows the highest margins and Duluth the lowest. The movement in the size of the margins from year to year is irregular. The year of lowest margins before including hedges is 1913–14 and the highest 1916–17. For all markets combined the average margin for the former year is 1.93 cents per bushel and for the latter 25.18 cents. This range is narrowed when hedges are included, the lowest margin being 2.27 cents per bushel in 1915–16 and the highest 7.19 cents, in 1916–17. There was no hedging by use of wheat futures in 1919–20, this market having been abolished during the war and not yet restored. All the markets show for the average of the five-year period when hedging prevailed an excess of hedging losses over hedging gains, though the reverse is true for some single years. The average margin for the combined markets for 1919–20 is 0.59 cent below that for the five-year period, and much below that for the last year of that period, 1916–17.

The table below shows for each year and market and in total the number of elevator companies reporting the margins compiled in the preceding table, together with the number of bushels sold:

TABLE 121.—*Bushels of wheat sold by terminal elevators reporting to the commission for specified markets and years*

Year	Minneapolis		Duluth		Kansas City and St. Louis		Chicago		All markets	
	Number of companies	Bushels	Number of companies	Bushels	Number of companies	Bushels	Number of companies	Bushels	Number of companies	Bushels
1912–13	6	10,080,173	2	34,786,336	2	15,122,435			10	59,988,944
1913–14	6	10,754,534	2	32,072,515	2	11,833,675			10	54,660,724
1914–15	7	9,003,579	3	28,532,922	2	26,672,975			12	64,209,476
1915–16	7	8,948,794	3	43,117,710	2	17,037,413			12	69,103,917
1916–17	7	4,414,057	4	17,466,423	2	16,809,679			13	38,690,159
1919–20	7	4,480,289	4	6,601,327	3	31,111,052	7	44,267,364	21	86,460,032

Average terminal middlemen's margins on all wheat, 1912–13 to 1916–17 and 1919–20.—As pointed out in an earlier section of this chapter, there are other terminal middlemen operating in the primary and secondary markets besides the terminal elevator operators. A study of the movement of wheat through the hands of the various classes of terminal middlemen, as to direction taken and proportion of the crop handled by each class, was made for the calendar years 1913 to 1917, and the wheat-flow figures thus obtained were used to weight the average gross margin of each class of middlemen ascertained for the crop years 1912–13 to 1916–17 and 1919–20. While only one handling of the wheat by the country elevator is involved, some of the wheat passing through the terminal market may be handled several times. From this study it was concluded that all wheat is handled on an average 1.4 times by terminal middlemen. The margins of these middlemen were combined into one average figure for all the wheat passing from country elevators to converter, feeder, exporter, etc. For 1919–20 the same movement of the wheat was assumed as was found to prevail in the earlier period. The average gross margin for all terminal middlemen, computed on the basis of the average number of handlings of all wheat moving from country

elevators to converter, feeder, exporter, etc., was, for the five-year period, 7.58 cents per bushel before including hedges and 4.26 cents including hedges, and for 1919–20, 6.96 cents per bushel, no hedging on wheat being available in that year.

Average terminal middlemen's margins on mill wheat only, 1922–1924.—For no year since 1919–20 have comprehensive data showing terminal handling margins on wheat either for elevators alone or for all middlemen been secured by the commission. The following estimate of the total of all terminal middlemen's margins on that portion of wheat which moved to flour mills during the three-year period 1922–1924 is made:

(1) The total of terminal middlemen's gross margins, as shown above, averaged for all wheat moving from country elevator to points of consumption or export for the five-year period 1912–13 to 1916–17 7.58 cents per bushel. A similar average for 1919–20 was 6.96 cents. For the later year the commission made no study of the wheat movement and it was necessary to weight the margins of terminal middlemen for that year by the wheat-flow figures of the five-year period. The margin of 7.58 cents per bushel, while 0.62 cent greater than that for 1919–20, is regarded as more representative of the three-year period 1922–1924, because of the influence of war conditions still hanging over the country in 1919–20.

(2) This margin of 7.58 cents per bushel, however, is for both export wheat, practically all of which carries terminal charges, and wheat moving to the mills much of which carries no such charges. For the year 1915–16, 57.2 per cent [13] of the wheat purchased by flour mills bore terminal charges. This percentage is assumed to be representative of the movement of wheat to flour mills for the five-year period. Wheat for other than mill, seed, or export use is relatively unimportant and carries terminal charges in about the same proportion as wheat for mill use. Since 21½ per cent of the United States wheat production (less seed wheat [14]) for the five-year period was exported, 66.4 per cent of this production bore terminal charges of 11.4 cents per bushel, and the average terminal charges borne by all wheat moving to the mill during this period, whether passing through terminal markets or not, amounted to 6.5 cents per bushel.

In the absence of a figure based upon a new inquiry into terminal charges and the movement of wheat from country elevator to mill, 6.5 cents per bushel of wheat appears to be a fair estimate of the total average terminal middlemen's margin on such wheat for the period 1922–1924.

Section 5. Transportation costs of wheat.

Average transportation costs on all wheat, 1912–13 to 1916–17 and 1919–20.—The transportation cost of an average bushel of wheat from country elevator to destination was computed by the commission for the five-year period 1912–13 to 1916–17 and for the year 1919–20.[15] By destination is meant flour mill or other converter, elevator, and port for wheat to be exported. Basic freight rates on grain from

[13] See Appendix Table 43, Vol. III, The Grain Trade.

[14] Seed wheat amounting to a yearly average of 81,000,000 bushels for the five years is deducted from the average yearly production, because only about 13 per cent of this wheat reaches the country elevator and practically none of it the terminal markets. The average yearly production after this deduction was 710,000,000 bushels, of which a yearly average of 153,000,000 bushels was exported.

[15] Vol. IV, "The Grain Trade." For a detailed explanation of the method of computing this cost, see p. 124 of that report.

official railway tariffs and lake rates from the annual reports of the Duluth Board of Trade, weighted in accordance with the movement of wheat ascertained for the five calendar years 1913–1917, were used in the computation. Rates in effect January 1, 1916, were taken to represent the five-year period, and those in effect January 1, 1920, to represent the year 1919–20. Because the movement of wheat was not ascertained for the later year, transportation rates for that year were weighted by the wheat-flow figures for the five-year period.

As thus computed, the transportation cost of an average bushel of wheat moving from country elevator to destination was in 1912–13 to 1916–17, 11.08 cents per bushel and in 1919–20, 14.31 cents.

Average transportation costs on mill wheat, 1922–1924.—No comprehensive survey of grain freight rates has been made by the commission for any year since that of 1919–20, nor of the movement of wheat for any period since that of 1913–1917. The following estimate [16] of the transportation cost of wheat from country elevator to flour mill for the three years 1922–1924 is made:

(1) The computed transportation cost or 11.08 cents per bushel of wheat for 1912–13 to 1916–17 was on a movement from country elevators to points of consumption, including seaports for export wheat. To arrive at a cost for this more recent period on a movement from country elevator to flour mill, it is simpler to make first an estimate of the average cost per bushel for transportation from elevators to points of export, because of the small number of such points compared with the large number and wide distribution of mills. Based on the rates obtaining during the five-year period and the proportion of exported wheat moving to each important port, the average cost per bushel on wheat moving for export has been roughly estimated at 18 cents.[17] Approximately 21½ per cent of the wheat production (less seed wheat [18]) during the five years was exported. The remainder was consumed by flour mills or went into uses involving transportation costs comparable with those borne by wheat moving to flour mills. From this ratio of export wheat bearing the estimated transportation cost of 18 cents per bushel to total wheat bearing an average transportation cost af 11.08 cents, an average transportation cost of 9.18 cents per bushel on wheat moving from country elevator to flour mill is calculated for the five-year period 1912–13 to 1916–17.

(2) Grain freight rates for the years 1922–1924 averaged approximately 50 per cent higher than pre-war rates. This is apparent from the following:

The rates from country shipping points to primary markets are 45 per cent and more above the pre-war rates. For example, the rate from Larimore, N. Dak.,

[16] To have derived other than an estimated transportation cost for wheat moving to the mill would have required a long and expensive calculation, involving a survey of both freight rates and the movement of wheat from country elevator to mill for the years 1922–1924.

[17] During the five-year period about one-half of the export wheat left the United States by way of New York, Baltimore, Philadelphia, and Boston, and about one-third by way of New Orleans and Galveston. From the leading primary markets to these eastern ports, freight rates in 1916 ranged from about 8 cents (Chicago to Baltimore) to about 18 cents (Omaha to Boston) and to southern ports from about 10 cents (St. Louis to New Orleans) to about 22 cents (Omaha to Galveston). To be added to these charges are the freight charges on the wheat moving from the country elevators to primary markets. These proportioned to the average bushel received by these markets ("The Grain Trade," Vol. IV, p. 215) ranged from about 2 cents (Indianapolis) to about 10 cents (Omaha). On the whole, 18 cents does not appear to be unreasonable as a total average transportation cost on export wheat from country elevator to port for the period 1912–13 to 1916–17. Because of the ratio of export wheat to mill wheat an increase or decrease of approximately 4 cents per bushel in this estimated transportation cost on export wheat is required to effect a decrease or an increase of 1 cent in the calculated transportation cost on wheat to the mill.

[18] Seed wheat amounting to a yearly average of 81,000,000 bushels for the 5 years is deducted from the average yearly production, because only about 13 per cent of this wheat reaches the country elevator, and practically none of it bears transportation charges. The average yearly production after this deduction was 710,000,000 bushels, of which a yearly average of 153,000,000 bushels was exported.

to Minneapolis in 1913 was 7.2 cents per bushel; the present rate is 10.5 cents. From McPherson, Kans., to Kansas City the rate was 7.6 cents per bushel in 1913, as compared with the present rate of 11.4 cents.[19]

In relation to the pre-war conditions, the prices of farm products are not yet on a par with freight rates. The level of farm commodity prices in September [1925] was 144 per cent of the pre-war average, whereas freight rates on agricultural commodities were 158 per cent of the pre-war average. Moreover, the prices of agricultural products fluctuate greatly from year to year, whereas freight rates are stable and are not frequently changed." [20]

Applying a 50 per cent increase to the calculated 9.18 cents per bushel transportation cost obtaining in 1913–1917 on wheat moving from country elevators to mills results in a transportation cost on a like movement of wheat in 1922–1924 of 13.77 cents per bushel.

Section 6. Summary.

The following table summarizes middlemen's gross margins, transportation costs, and total spread on all wheat moving from producer to flour mill or other converter and to points of export for the periods 1912–13 to 1916–17 and 1919–20, and on mill wheat for the period 1922–1924. Because it is desired to show the spread of prices rather than the total gross profits of operators, the gross margins of this table do not include hedging gains and losses.

The table affords some comparison of margins of the same period for different classes of middlemen, and of margins of different periods for the same class of middlemen, although the latter comparison should be made with caution, because the figures of the latest period either are not always closely comparable with those of the earlier or may be based on assumptions which render such comparison of little value. As an example of the former difficulty, in computing the average of margins for country elevators for 1922–1924, margins are weighted only by the number of bushels of wheat reported handled at the respective margins, whereas for the earlier periods average margins for the different types of country elevators for the principal wheat-producing States are computed on the basis of bushels reported, and these margins, weighted by the total number of bushels handled by the respective types of elevators for the respective States, are averaged.[21] As an example of the latter difficulty, the margins of terminal middlemen for the later period are assumed to be similar to those of the earliest period, the average for the later period, however, being computed for mill wheat only and that for the earliest period for all wheat. These limitations on the figures are explained in the notes of the table, where references are also given to more detailed explanation elsewhere.

[19] The U. S. Department of Agriculture: The Wheat Situation, November, 1923, p. 20.

[20] The U. S. Department of Agriculture Yearbook, 1925, p. 24.

[21] Weighting figures for types of elevators and States similar to those used for the earlier three-year period were not available. The weighting figures for the three years 1913–14, 1915–16, and 1916–17, were experimentally applied to the margins for 1922–1924 but with practically no change in results. Whether the proportions handled by the different types and for the different States were materially different in the two periods is not known.

TABLE 122.—*Middlemen's gross margins, transportation costs, and total spread on all wheat, 1912–13 to 1916–17 and 1919–20, and on mill wheat, 1922–1924* [1]

[In cents per bushel]

Period	Country elevators' gross margins [2]	Terminal middlemen's gross margins [2]	Country and terminal middlemen's gross margins [2]	Transportation costs	Total spread
1912–13 to 1916–17	[3] 6.05	[4] 7.58	13.63	11.08	24.71
1919–20	[3] 11.93	[4] 6.96	18.89	14.31	33.20
1922–1924	[5] 4.94	[6] 6.50	[6] 11.44	[6] 13.77	[6] 25.21

[1] Figures for 1912–13 to 1916–17 and 1919–20 are taken from Table 58, p. 79, Vol. IV, "The Grain Trade," and for 1922–1924 from earlier sections of this chapter.

[2] Before including hedging gains and losses.

[3] Not strictly comparable with margins in Table 117 or with the average margin for country elevators shown in this table for 1922–1924. The average margin for country elevators in this table for the first period (1912–13 to 1916–17) is assumed to be that for the three years 1913–14, 1915–16, and 1916–17, for which representative gross margins for the different types of country elevators for the principal wheat-growing States were reported to the commission. These margins, weighted by the volume of wheat handled by the respective types of elevators and for the respective States as ascertained by the commission for these three years, were averaged. The average margin for the second period (1919–20) was determined similarly, the representative gross margins being as reported to the commission for 1919–20, while the weighting figures were, as before, for the three years 1913–14, 1915–16, and 1916–17. (See pp. 117–124, Vol. IV, "The Grain Trade.") Because similar weighting figures for types of elevators and States for 1922–1924 were not available, the average margins in Table 117 and that in this table for 1922–1924 are the averages of margins reported to the commission weighted only by the number of bushels reported for each margin, respectively. The weighting figures for the three years 1913–14, 1915–16, and 1916–17 were experimentally applied to the margins for 1922–1924, but with practically no change in results. Whether the proportions handled by the different types and for the different States were materially different in the two periods is not known.

[4] Not strictly comparable with the margins of terminal elevators. This figure includes margins for all terminal middlemen, not simply for elevators, as do the figures of Table 120. Moreover, it includes for each bushel handled by more than one terminal factor the total of the margins of those factors, though, on the other hand, it includes margins of factors for wheat handled but once, which were much smaller than those of elevators. Finally, it is a figure arrived at by the weighting of margins in accordance with an ascertained wheat flow, and is then spread over the entire volume of wheat passing from country elevator to points of consumption and not merely that portion bearing terminal charges. (See pp. 114–117, Vol. IV, "The Grain Trade.")

[5] This margin is the average of country elevator margins reported to the commission weighted by the number of bushels reported for each margin, respectively.

[6] Not strictly comparable with corresponding figures in this table for 1912–13 to 1916–17 and 1919–20 because terminal margins and transportation costs for 1922–1924 are for only that portion of the wheat moving to flour mills.

The table shows that the gross margins of the terminal middlemen are on the average smaller than those of country elevators, when the comparison is made on the basis of a single handling, since the average number of handlings by terminal middlemen of the entire crop of wheat, whether moving by way of terminal markets or not, is 1.4 and of that portion of the crop actually moving by way of terminal markets is 2.1.[22] This smaller margin for terminal middlemen would be expected, because the average quantity handled in each transaction is much larger than that for country elevators, and often no physical handling is involved. The middlemen's margin shown in the table is spread over all wheat, whether bearing terminal charges or not. The average margin for wheat actually bearing terminal charges for the earliest period amounts to 11.4 cents per bushel. (See p. 462.) This reduced to the basis of one handling, amounts to 5.4 cents, as compared with the country elevator's margin for the same period of 6.5 per bushel. The terminal middlemen's margin for 1919–20, when thus treated, is relatively much smaller.

[22] For the ratio of 1.4, see Table 57, Vol. IV, "The Grain Trade," which gives the ratio of 2.4 on wheat for all middlemen. Since practically no wheat is handled by more than one country elevator, the ratio of 1.4 remains for terminal middlemen. The ratio of 2.1 on wheat actually handled by terminal middlemen during the five-year period 1912–13 to 1916–17, is calculated from the percentage of 66.4 of the wheat of this period actually bearing terminal charges. (See p. 462.)

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For the five-year period 1912–13 to 1916–17 the total spread on all wheat from producer to mill, points of export, etc., was 24.71 cents per bushel, of which about 45 per cent was for transportation. In 1919–20 the total spread had increased more than one-third over that for the five-year period, the ratio of transportation costs to total spread remaining about the same. The estimated total spread on mill wheat for the three years 1922–1924 was 25.21 cents per bushel, of which about 55 per cent was for transportation.

APPENDICES

Appendix 1

APPLICATION FOR MEMBERSHIP IN THE AMERICAN BAKERS' ASSOCIATION, PRIOR TO SEPTEMBER, 1922

AMERICAN BAKERS' ASSOCIATION APPLICATION FOR MEMBERSHIP

Dated_____, 192

The undersigned, for its plant located in ———, hereby makes application for membership in the American Bakers' Association upon the terms and conditions following:

I. The undersigned hereby agrees to abide by all rules and regulations of the association.

II. The undersigned, for itself and for said plant, hereby further agrees to conform to and maintain the following sanitary standards:

Sanitary Code

LOCATION AND CONSTRUCTION OF PLANT

1. Every bakery shall conform to the requirements of the sanitary codes or other statutory provisions and regulations of the State, county, and city in which it is situated, with respect to its location and construction, bakery equipment, operating methods, and health of employees.

2. Every bakery shall, in any event, conform to the following specific requirements which this association deems essential:

(*a*) The bakery shall be so located that drainage to sewers is adequate and that the basement and floors are not subject to recurring or foreseeable flooding.

(*b*) It shall not be located adjacent to conditions or industries which are inimical to the production of wholesome bread.

(*c*) It shall have convenient toilet rooms, separate and apart from the room or rooms where the materials and doughs are kept and prepared, or where baked products are stored or handled.

(*d*) Adequate and convenient washrooms and toilet rooms shall be provided with soap, running water, and clean towels, maintained in a sanitary condition.

(*e*) Rooms shall also be provided for changing and hanging wearing apparel, separate and apart from the production, storage, and sales rooms.

(*f*) The bakery shall be properly protected from flies.

(*g*) The bakery shall have suitable equipment for handling raw materials, doughs, and finished products in a cleanly and sanitary manner.

(*h*) There shall be sufficient ventilation and light provided to insure the health of the employees and the wholesomeness of the bakery products, free from excessive heat, fumes, dust, and other conditions inimical to such health or wholesomeness.

OPERATING METHODS

(*i*) The floors, walls, and ceilings of every bakery, the equipment used in the preparation or handling of bakery products, or their ingredients, and the vehicles, boxes, baskets, and other receptacles in which bakery products are stored, handled, or transported shall be kept in a clean and sanitary condition, free from all contaminating matter.

(*j*) All bakery products and their ingredients shall be stored, handled, transported, and kept in such a manner as to protect them from spoilage, contamination, and unwholesomeness.

(*k*) All workmen and employees, while engaged in the manufacture of bakery products, shall be clothed with external garments of washable material which shall be used for that purpose only, and these garments shall be kept clean.

(*l*) The smoking, snuffing, and chewing of tobacco shall be prohibited in the rooms of the bakery where the materials and doughs are kept and prepared or where the baked products are stored or handled.

(*m*) No animals or fowls shall be kept in or permitted to enter the bakery rooms where the materials and doughs are kept and prepared or where the baked products are stored or handled.

HEALTH OF EMPLOYEES

(*n*) No person affected with any contagious, infectious, or other disease, or physical ailment, which may render such employment detrimental to the public health, shall work in a bakery or handle any of the products therein or delivered therefrom. Freedom of bakery employees from any such diseases shall be evidenced by a certificate of medical examination, such examination to be made at least annually.

(*o*) No person who has had typhoid fever shall be employed in any bakery until adequate clinical examination has proven the applicant free from typhoid bacilli.

III. The undersigned hereby subscribes to the following code of business ethics:

CODE OF ETHICS

Believing in the future of the baking industry and realizing that through cooperation it is possible to render greater service, both to the industry as a whole and to the best interests of the public, and recognizing my obligation to the American home, my employees, and my fellow bakers, I do hereby pledge myself to the following code of ethics as definite obligations, accompanying the privilege of membership in the American Bakers' Association:

1. I recognize my duty to the American home to be to make my product of highest food value at lowest cost.

2. I believe that the rendering of honest and efficient service on the part of my employees deserves fair consideration and that they should receive a fair return for their labor and be enabled to enjoy healthful surroundings, both physically and morally. I recognize a man's inherent right to work with freedom of conviction, without prejudice, and I will expect only an honest day's work and thoughtful consideration of our mutual interests and obligations.

3. I recognize my obligations to my fellow baker, and especially to this association and its membership, in the maintenance of its high standards and the increase and preservation of its reputation with the public, and pledge myself to be fair in all my relations with my competitors and consistently to abstain from all practices which are recognized by trade associations in general, and by this association in particular, as unfair trade practices.

4. I believe that service is the basis of all progress and that I can render the best service and meet my obligations to the public, my employees, and my associates in the industry and still receive that compensation which must be the reward of all legitimate business. I therefore pledge myself further, in the interest of fair prices and fair profit, at all times to keep and maintain adequate cost records and to give honest information to any official or inspector entitled thereto.

5. I will use no materials or ingredients other than those of known purity and wholesomeness in the manufacture of my products.

6. I will at all times adhere ridgidly to the truth in all my advertising.

7. I will keep my plant and premises at all times as clean and sanitary as is humanly possible, and welcome public inspection at all times. I shall expect of my employees what the public has a right to expect of me, that we keep ourselves morally and physically clean.

8. Recognizing in the giving of premiums and secret discounts a serious trade evil, I pledge myself to abstain from initiating any such practices in the conduct of my business and to abstain from such practices except as compelled by competitive conditions.

9. Finally, I agree to maintain the highest standards of ethical and moral practices throughout the conduct of my business, so as to give the public the best service and reflect credit on my association and my industry.

IV. The annual dues are a dollar a week per oven, a reel oven counting as the equivalent of two peel ovens and a traveling oven as the equivalent of five peel ovens; and the undersigned hereby agrees to pay these dues monthly, $_____; quarterly, $_____; semiannually, $_____; annually, $_____, upon the basis of the number of ovens in the plant below set forth, notifying the association of any physical change in the reduction or increase of this number of ovens.

Number of peel or stationary ovens_____
Number of reel ovens_____
Number of traveling ovens_____
Name of owner (giving exact corporate title, name of copartnership or trade name, or individual name, as the case may be)_____
Address of owner_____
Name of plant_____
Address of plant_____
Name of officer or individual signing on behalf of such plant_____

APPENDIX 2

APPLICATION FOR MEMBERSHIP IN THE AMERICAN BAKERS' ASSOCIATION, SUBSEQUENT TO SEPTEMBER, 1922

AMERICAN BAKERS' ASSOCIATION APPLICATION FOR MEMBERSHIP

Dated_____, 192

The undersigned hereby makes application for membership in American Bakers' Association.

In signing this application it is understood that I am to receive from the association—

1. Full membership with all its rights and privileges.
2. A reduction of $75 in the tuition fee of any student I may enter for the regular four months' course in the School of Baking from my organization.
3. A reduction of 50 per cent in the cost of any service performed for me by the American Institute of Baking.
4. A reduction of 50 per cent in the cost of the association accounting systems.
5. Participation without cost in the benefits of the research laboratories of the institute.
6. Baking technology, devoted to our national problems and baking science.
7. Bulletin service.

I hereby agree to pay the dues of $25 per oven, per annum, a reel oven counting as the equivalent of two peel ovens and a traveling oven as the equivalent of five peel ovens, monthly, $_____; quarterly, $_____; semiannually, $_____; annually, $_____, upon the basis of the number of ovens in the plant or plants below set forth, notifying the association of any physical change in the reduction or increase of this number of ovens.

Number of peel or stationary ovens_____
Number and size of traveling ovens_____
Name of owner (giving exact corporate title, name of copartnership or trade name, or individual, as the case may be)_____
Address of owner_____
Name of plant or plants_____
Address of plant or plants_____
Name of officer or individual signing_____

APPENDIX 3

LETTER OF I. K. RUSSELL TO FEDERAL TRADE COMMISSION

No. 6748 North Hilldale Avenue,
Chicago, July 1, 1925.

The Chairman, Federal Trade Commission,
Washington, D. C.

Dear Sir: I am intruding with this letter because I called back at the headquarters of American Bakers' Association the other day and found an investigator from your commission sitting at a desk I had quit May 1 after three years as editor of their headquarters' magazine.

I found he had my old files out and was digging through letters and actions of mine for evidence of something evil in the name of the law. That gave me a thrill as I had been well trained by David Starr Jordan to "so live that you are always good company to yourself and can always see your conduct tested with the best social ideals and standards of your day."

When I took that job I stepped out of the job of reporting the exposure by Samuel Untermyer of the cement trust, the insurance ring, the robberies of fire insurance boards and central testing laboratories that would only test ring-made materials, and what not. I stood beside Brindell when he was jailed (without a gesture of help from the labor hierarchy although he had shamefully pillaged union workers through work cards in addition to their union cards), and I fully tested the baking industry before I went into it as to whether it could do these things. The cement people confessed that America was zoned and the cement for you came from the mill geographically located in your zone, no matter where you ordered from or what brand you ordered. And the sand men confessed they controlled all sand, say, in New York, and you were well inspected before any order was filled from a common pile, no matter who took the order.

I went to work for the bakers because I convinced myself that price fixing was utterly futile with them. You can't hold back the product because it is stale 24 hours after baking. A Baltimore baker can not be influenced by a New York baker on price because the New York baker couldn't ship in anything but a stale product.

Bread is eaten where it is baked. The price the Akron, Ohio, baker wants to know about is the price of the 100-mile zone around him; of other bakers who can wade in upon his territory. And that's about the limit.

I was only hired to edit their magazine and yet I made hundreds of speeches to bakers in little conventions. I did that on my own in response to invitations. And it was all because I believe, after testing out I. W. W.-ism, Government ownership, State socialism, socialism, sovietism, and labor unionism, that the best promise to humanity and human progress is in better organized publicly controlled private business in America.

Our capitalism no other nation has duplicated. It has captured the Government here alone and can be of immense social value or none at all as it is operated. The more it organizes the more intelligent it gets and the better its policies become so far as I can see. And I have tried to drag the baker's mind out of his dough trough and place it on his place in the national industrial family. I inclose you a story of his organizing gestures as I see them, contrasted to the electrical industry's.

Now there are some immensely fascinating questions for your body to iron out. And I found your man digging at one I had touched. So I am going to ask what you would say is the wise policy for your board on this issue. Baking suddenly emerged from elbow production to push-button production and about three years ago emerged into mass production with an output in one bakery of as much bread as 36,000 women could bake, or hand bakers, a day. Certain central bakeries began to move out, say, from Chicago to northern Illinois towns. What policy should such a "shipping baker" adopt?

I met this issue when a man named Kappas, of Kenosha, Wis., came to the room where I just found your man at work going over my Kappas file. He came sore and perturbed. He had a great kick. George Ward's trucks were invading his town and ruining his business—selling away below his costs—and were likely to ruin him. He wanted to know what his national association could do to stop such villainy. He had also appealed to his chamber of commerce and the townspeople generally to support "home industry." I have since seen this issue in every little town where a big town is near by.

I had just joined on as an editor, and without any authority or orders or desire on any other person's part, I called up Jack Hines, manager for George Ward, to find out his story of what was up. I was using a method of getting industrial superheat cooled off I had found to work well on the National War Labor Board and the United States Board of Railroad Wages, where I had been taught the method by labor leaders serving on those boards, capital concurring. It was to bring hot and heated points together and watch them till they cooled as a neutral "chairman." Jack Hines came, admitted he had sold below cost with intent to drive Kappas to the wall. But first, he said, he had adopted a general policy of invading cities other than Chicago under a rule of letting the local baker fix the price. Ward believed his bread was far superior in quality—which by the way it was—and it would sell to housewives who would not buy ordinary baker's bread. He did not believe in disturbing the local baker in this invasion, and so sold at his price so as not to undercut him. Hines, of the Ward Co., then accused Kappas of selling openly at one price but secretly at another, by giving secret rebates. And this had aroused him to a desire to punish Kappas, which business he was then about. Later I heard a dozen different prices on Ward bread from one bakery—and it all came about by his conforming under this policy to the price established in any local community he invaded. He always conformed; never forced a new price on central bakery policy. Kappas admitted his secret rebates and said he would not do that any more—and they shook hands in my presence and decided to start over.

Hines used no pressure on Kappas to make any certain price. He only asked him to adhere privately to the price he made publicly so Hines could meet it. Very shortly afterwards I was bumped on the head with a statement that this wasn't part of my editorial duties, and all complaints of the nature Kappas made were shunted, and I never got to tackle but one more—and the bigger baker in that case saw that I was bumped out of "intermeddling." The National was organized to leave every baker full freedom. Now this should interest you because since then George Ward has been forced out of the business and so has that policy of letting the local bakers in any community he invades go along on

the price when he invaded, he making the prevailing price his rather than forcing local conditions.

His successor makes no such concessions. He is mopping-up the members of the baking industry wherever he can. He uses secret rebates, public rebates, coupons, very cheap prices on the high points of the market, and about every other means known to trade warfare to force his product into sales. And he has given the industry the "heebie jeebies."

I came to speak at one meeting where men were hysterical over the new competition, and they turned it into an ovation for George Ward and his "clean methods." They had seen the first policy in the light of a second.

I hear from little bakers that John Hartley is organizing them to appeal to you in the hope you will clean up this present class of competition. I was railroaded out with the change on the horizon for I had denounced, as a matter of sane education, the giving of premiums and rebates and coupons, so that some bakeries I knew looked more like china and pottery stores than bakeries.

Well, looking from the outside in, now, and knowing the hope that harried and hysterical little bakers have in you, I thought I would clarify the two angles of this problem. Is it one you can reach a decision on? Or is the little factor of the industry doomed? It looks like the war was on for his extermination. And George Ward tells me, on a visit from Cuba, that bread quality was never so poor in years—as the price fight has forced a thinning of the formula as never before since George Ward first enriched it.

Very truly,

I. K. RUSSELL.

APPENDIX TABLES

TABLE 1.—*Monthly average wholesale prices of bread for nine specified cities, 1920–1925*

[In cents per pound after baking]

	Boston	Providence	New York	Newark	Philadelphia	Baltimore	Pittsburgh	Cleveland	Chicago	Average, 9 cities
1920										
January	9.5	9.4	9.4	9.0	8.7	[1]9.5	9.7	9.5	8.7	9.3
February	9.7	9.7	9.4	9.2	8.7	[1]9.5	9.7	9.5	9.6	9.4
March	10.1	9.8	9.4	9.4	8.7	9.5	9.7	9.5	9.6	9.5
April	9.9	9.9	10.1	10.1	9.2	10.7	9.8	9.5	9.6	9.9
May	10.0	10.2	10.5	10.5	9.5	10.6	10.1	9.8	10.1	10.1
June	10.0	10.4	10.5	10.5	9.5	10.6	10.1	10.1	10.2	10.2
July	10.0	10.6	10.5	10.5	9.5	10.6	10.1	10.1	10.2	10.2
August	10.7	10.7	10.5	10.5	9.5	10.6	10.1	10.1	10.2	10.3
September	10.8	10.7	10.5	10.5	9.5	10.6	10.1	10.1	10.2	10.3
October	10.9	10.8	10.5	10.5	9.5	10.2	10.1	10.1	10.2	10.3
November	10.5	10.8	10.1	10.5	9.5	10.2	10.1	10.1	10.2	10.2
December	9.8	9.7	9.4	10.0	8.4	10.2	9.3	8.9	9.6	9.5
Year	10.2	10.2	10.1	10.1	9.2	10.2	9.9	9.8	9.9	10.0
1921										
January	9.8	9.7	9.6	9.4	8.6	9.8	9.0	8.8	9.6	9.4
February	9.8	9.7	9.4	9.4	8.6	9.8	9.0	8.3	9.6	9.3
March	9.7	9.6	9.4	9.4	8.6	8.5	9.0	7.0	9.6	9.0
April	9.0	9.0	9.2	9.2	8.6	7.9	9.0	7.2	9.3	8.7
May	9.0	9.0	8.2	8.2	8.0	7.9	7.9	7.3	8.3	8.2
June	9.0	9.0	8.2	8.2	7.8	7.9	7.9	7.9	8.3	8.2
July	9.0	9.0	8.2	8.2	7.8	7.9	7.9	7.9	8.3	8.2
August	9.0	9.0	8.2	8.2	7.8	7.9	7.9	7.9	8.3	8.2
September	9.0	9.0	8.2	8.2	7.8	7.9	7.9	7.9	8.3	8.2
October	9.0	9.0	8.2	8.2	7.8	7.9	7.9	7.7	8.3	8.2
November	8.7	8.7	8.2	8.2	7.8	7.9	7.9	7.2	8.3	8.1
December	8.3	8.2	8.2	8.2	7.8	7.9	7.8	6.6	8.3	7.9
Year	9.1	9.1	8.6	8.6	8.1	8.3	8.3	7.6	8.7	8.5
1922										
January	7.9	7.9	7.9	7.7	7.8	7.9	7.2	6.5	7.9	7.6
February	7.5	7.5	7.5	7.5	7.8	7.9	7.2	6.5	7.3	7.4
March	7.5	7.4	7.5	7.5	7.8	7.9	7.2	6.5	8.3	7.5
April	7.5	7.2	7.5	7.5	7.8	7.9	7.2	6.5	8.3	7.5
May	7.2	7.2	7.5	7.3	7.8	7.9	7.2	6.5	8.3	7.4
June	7.2	7.2	7.5	7.3	7.8	7.9	7.2	6.5	8.3	7.4
July	7.2	7.2	7.5	7.3	7.8	7.9	7.2	6.5	8.3	7.4
August	7.2	7.2	7.5	7.3	7.8	7.9	7.2	6.5	8.3	7.4
September	7.2	7.2	7.5	7.3	7.8	7.9	7.2	6.5	8.3	7.4
October	7.2	7.2	7.5	7.3	7.8	7.9	7.2	6.5	8.3	7.4
November	7.2	7.2	7.5	7.3	7.8	7.9	7.2	6.5	8.3	7.4
December	7.2	7.2	7.5	7.3	7.8	7.9	7.2	6.5	8.3	7.4
Year	7.3	7.3	7.5	7.4	7.8	7.9	7.2	6.5	8.2	7.5
1923										
January	7.2	7.2	7.5	7.3	7.6	7.9	7.2	6.5	8.4	7.4
February	7.2	7.2	7.5	7.3	7.6	7.9	7.2	6.5	8.4	7.4
March	7.2	7.2	7.5	7.3	7.5	7.9	7.2	6.5	8.4	7.4
April	7.2	7.2	7.5	7.3	7.5	7.9	7.2	6.5	8.4	7.4
May	7.2	7.2	7.5	7.3	7.5	7.9	7.2	6.5	8.4	7.4
June	7.2	7.2	7.5	7.3	7.5	7.9	7.2	6.5	8.4	7.4
July	7.2	7.2	7.5	7.3	7.5	7.5	7.2	6.5	8.4	7.4
August	7.2	7.2	7.5	7.3	7.5	7.5	7.2	6.5	8.4	7.4
September	7.2	7.2	7.5	7.3	7.5	7.5	7.2	6.5	8.4	7.4
October	7.2	7.2	7.5	7.3	7.5	7.5	7.2	6.5	8.4	7.4
November	7.2	7.2	7.5	7.3	7.5	7.5	7.2	6.5	8.4	7.4
December	7.2	7.2	7.5	7.3	7.5	7.5	7.2	6.5	8.4	7.4
Year	7.2	7.2	7.5	7.3	7.5	7.7	7.2	6.5	8.4	7.4

[1] Interpolated.

TABLE 1.—*Monthly average wholesale prices of bread for nine specified cities, 1920–1925*—Continued

[In cents per pound after baking]

	Boston	Providence	New York	Newark	Philadelphia	Baltimore	Pittsburgh	Cleveland	Chicago	Average, 9 cities
1924										
January	7.2	7.2	7.5	7.3	7.5	7.4	7.2	6.7	8.4	7.4
February	7.2	7.2	7.5	7.3	7.5	7.4	7.2	6.7	8.4	7.4
March	7.2	7.2	7.5	7.3	7.5	7.4	7.2	6.7	8.4	7.4
April	7.2	7.2	7.5	7.3	7.5	7.4	7.2	6.7	8.4	7.4
May	7.2	7.2	7.5	7.3	7.5	7.4	7.2	6.7	8.4	7.4
June	7.2	7.2	7.5	7.3	7.5	7.4	7.2	6.7	8.4	7.4
July	7.2	7.2	7.7	7.5	7.5	7.5	7.2	6.7	8.4	7.4
August	7.2	7.2	7.7	7.5	7.5	7.5	7.2	6.7	8.4	7.4
September	7.2	7.2	7.7	7.5	7.5	7.5	7.2	6.7	8.4	7.4
October	7.2	7.2	7.8	7.5	7.5	7.5	7.2	6.7	8.4	7.4
November	7.2	7.2	7.8	7.5	7.5	7.6	7.2	6.7	8.4	7.5
December	7.2	7.2	7.8	7.5	7.6	7.6	7.2	6.7	8.4	7.5
Year	7.2	7.2	7.6	7.4	7.5	7.5	7.2	6.7	8.4	7.4
1925										
January	7.7	7.7	7.9	7.7	7.6	7.7	7.8	6.5	8.4	7.7
February	7.8	7.8	7.9	7.8	8.0	7.8	7.8	6.5	8.4	7.8
March	7.8	7.8	7.9	7.8	8.4	7.8	7.8	6.5	8.4	7.8
April	7.8	7.8	7.9	7.8	8.4	7.8	7.8	6.5	8.4	7.8
May	7.8	7.8	7.9	7.8	8.4	7.8	7.8	6.5	8.4	7.8
June	7.8	7.8	7.9	7.8	8.4	7.8	7.8	6.5	8.4	7.8
July	7.8	7.8	7.9	7.8	8.4	7.8	7.8	6.5	8.4	7.8
August	8.0	8.0	8.0	8.0	8.4	7.8	8.0	6.7	8.4	7.9
September	8.0	8.0	8.0	8.0	8.4	7.8	8.0	6.8	8.5	7.9
October	8.0	8.0	8.0	8.0	8.4	7.8	8.0	6.8	8.2	7.9
November	8.0	8.0	8.0	8.0	8.4	7.8	8.0	6.8	7.9	7.9
December	8.0	8.0	8.0	8.0	8.4	7.8	8.0	6.8	7.9	7.9
Year	7.9	7.9	7.9	7.9	8.3	7.8	7.9	6.6	8.3	7.8

TABLE 2.—*Monthly average wholesale prices of bread for 5 specified cities, 1920–1925, based on figures published by the Bureau of Labor Statistics, United States Department of Labor*

NOTE.—The figures are in cents per pound of bread after baking, converted from the figures published by the Bureau of Labor Statistics, which are in cents per pound of dough before baking. The conversions were made on the basis of the ratio of 9 to 8 between dough weight and baked weight. (See p. 198 with reference to this ratio.)

Month	Chicago	Cincinnati	New Orleans	New York	San Francisco
1920					
January	9.0	8.6	8.6	8.9	9.2
February	10.0	8.6	8.6	9.2	9.2
March	10.0	8.6	8.6	9.2	9.2
April	10.0	8.6	8.6	9.9	9.2
May	11.0	8.6	8.6	10.0	9.2
June	11.0	10.0	9.6	10.0	9.2
July	11.0	10.0	9.6	10.0	9.2
August	11.0	10.0	9.6	10.0	9.2
September	11.0	10.0	9.6	10.0	9.2
October	11.0	10.0	9.6	10.0	9.2
November	11.0	10.0	9.6	10.0	9.2
December	10.0	9.0	9.0	10.0	8.8
Year	10.5	9.3	9.1	9.8	9.2
1921					
January	10.0	8.6	9.0	9.2	8.8
February	10.0	8.6	8.4	9.0	8.8
March	10.0	8.6	8.0	9.1	8.8
April	10.0	8.6	8.2	9.0	7.8
May	8.6	8.6	7.0	9.5	7.8
June	8.6	8.0	7.2	8.3	7.8
July	8.6	8.0	7.0	8.6	7.8
August	8.6	8.0	7.0	8.6	7.8
September	8.6	8.0	7.0	8.4	7.8
October	8.6	8.0	7.0	8.4	7.8
November	8.6	7.0	7.0	8.3	6.9
December	8.6	7.0	7.0	8.3	6.9
Year	9.0	8.1	7.5	8.8	7.9

TABLE 2.—*Monthly average wholesale prices of bread for 5 specified cities, 1920–1925, based on figures published by the Bureau of Labor Statistics, United States Department of Labor*—Continued

Month	Chicago	Cincinnati	New Orleans	New York	San Francisco
1922					
January	8.6	7.0	7.0	7.7	6.9
February	7.5	7.0	7.0	7.8	6.9
March	8.6	7.0	7.4	7.8	6.9
April	8.6	7.0	7.4	7.8	6.9
May	8.6	7.0	7.4	7.8	6.9
June	8.6	7.0	6.5	8.3	6.9
July	8.6	7.0	6.5	8.3	6.9
August	8.6	7.0	6.5	8.3	7.2
September	8.6	7.0	6.5	8.3	7.8
October	8.6	7.0	6.5	8.3	7.8
November	8.6	7.0	6.5	8.3	7.8
December	8.6	7.0	6.8	8.3	7.8
Year	8.4	7.0	6.9	8.1	7.2
1923					
January	8.6	7.0	6.8	7.8	7.8
February	8.6	7.0	6.8	7.8	7.8
March	8.6	7.0	6.8	7.8	7.8
April	8.6	7.0	6.8	7.8	7.8
May	8.6	7.0	6.8	7.8	7.8
June	8.6	7.0	6.8	7.8	7.8
July	8.6	7.0	6.4	7.8	7.8
August	8.6	7.0	6.4	7.8	8.0
September	8.8	7.0	6.4	7.8	7.8
October	8.8	7.0	6.5	7.8	7.8
November	8.8	7.0	6.5	7.8	7.8
December	8.8	7.0	6.5	7.8	7.8
Year	8.6	7.0	6.6	7.8	7.8
1924					
January	8.8	7.0	6.5	7.8	7.8
February	8.4	7.0	6.5	7.8	7.8
March	8.4	7.0	6.5	8.0	7.8
April	8.4	7.0	6.5	7.9	7.8
May	8.4	7.0	6.5	7.9	7.8
June	8.4	7.0	6.8	7.9	7.8
July	8.4	7.0	6.8	7.9	7.8
August	8.4	7.0	7.2	7.9	7.8
September	8.3	7.0	7.2	7.9	7.8
October	8.3	7.0	7.2	7.9	7.8
November	8.3	7.0	7.2	7.9	7.8
December	8.3	7.0	8.4	7.9	7.8
Year	8.3	7.0	7.0	7.9	7.8
1925					
January	8.4	7.0	8.4	7.9	8.8
February	8.4	8.0	8.4	7.9	8.8
March	8.4	8.0	8.4	7.9	8.8
April	8.4	8.0	8.4	7.9	8.8
May	8.4	8.0	8.4	7.9	8.8
June	8.4	8.0	8.1	7.9	8.8
July	8.4	8.0	8.1	7.9	8.8
August	8.4	8.0	8.4	7.9	8.8
September	8.4	8.0	8.4	7.9	8.8
October	8.4	8.0	8.4	7.9	8.8
November	8.4	8.0	8.4	7.9	8.8
December	8.4	8.0	8.4	7.9	8.8
Year	8.4	7.9	8.4	7.9	8.8

TABLE 3.—*Monthly average wholesale prices of bread for 54 specified cities, 1923–1925* [1]

[In cents per pound after baking]

City	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Year
1923													
New England													
Boston, Mass.	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Fitchburg, Mass.	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Holyoke, Mass.	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.8	7.6	8.0
Providence, R. I.	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Hartford, Conn.	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	8.0	7.8
Waterbury, Conn.	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Bridgeport, Conn.	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Group average	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.3	7.3	7.4
Middle Atlantic													
New York, N. Y.	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Mount Vernon, N.Y.	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Syracuse, N. Y.	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Rochester, N. Y.	6.7	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Buffalo, N. Y.	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.2	7.0
Hoboken, N. J.	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.6	7.6	7.4
Paterson, N. J.	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.1	7.1	7.3	7.3
Garfield, N. J.	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Newark, N. J.	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Philadelphia, Pa.	7.6	7.6	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Norristown, Pa.	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Pittsburgh, Pa.	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Group average	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.3	7.2
East North Central													
Youngstown, Ohio	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Cleveland, Ohio	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Akron, Ohio	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Zanesville, Ohio	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Toledo, Ohio	5.0	5.0	5.0	5.0	5.8	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.1
Columbus, Ohio	6.7	6.7	6.7	6.7	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Dayton, Ohio	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	67	6.7
Cincinnati, Ohio	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Anderson, Ind.	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Indianapolis, Ind.	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
South Bend, Ind.	7.3	5.7	5.2	5.3	6.5	6.5	6.5	6.5	6.6	6.7	6.7	6.7	6.4
Hammond, Ind.	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
Chicago, Ill.	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4
Peoria, Ill.	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Springfield, Ill.	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
Detroit, Mich.	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Grand Rapids, Mich.	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Milwaukee, Wis.	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Group average	7.0	7.0	6.9	6.9	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
West North Central													
Minneapolis, Minn.	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.5	7.6	7.6	7.6	7.6	7.6
Des Moines, Iowa	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
St. Joseph, Mo.	5.6	5.0	4.9	4.9	4.9	5.3	5.4	5.8	5.8	5.8	6.0	6.0	5.5
Kansas City, Mo.	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Omaha, Nebr.	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1
Topeka, Kans.	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Group average	7.0	6.9	6.9	6.9	6.9	7.0	7.0	7.0	7.0	7.0	7.1	7.1	7.0
South Atlantic													
Baltimore, Md.	7.9	7.9	7.9	7.9	7.9	7.9	7.5	7.5	7.5	7.5	7.5	7.5	7.7
Washington, D. C.	7.0	7.0	7.0	7.0	7.0	7.6	8.0	8.0	8.0	8.0	8.0	8.0	7.6
Richmond, Va.	7.0	7.0	7.0	7.0	7.0	7.0	6.9	6.8	6.8	6.8	6.8	6.8	6.9
Wheeling, W. Va.	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Huntington, W. Va.	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Group average	6.9	6.9	6.9	6.9	6.9	7.0	7.0	6.9	6.9	6.9	6.9	6.9	6.9
Other cities													
Oklahoma City, Okla.	5.8	5.8	5.8	5.8	5.8	5.8	5.8	6.0	6.1	5.8	5.8	6.1	5.9
Dallas, Tex.	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Butte, Mont.	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Fresno, Calif.	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
San Luis Obispo, Calif.	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Los Angeles, Calif.	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Group average	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Average, 54 cities	7.1	7.1	7.0	7.0	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1

[1] The figures for the several groups and for the 54 cities combined are simple averages; so, also, are the yearly figures.

TABLE 3.—*Monthly average wholesale prices of bread for 54 specified cities, 1923–1925*—Continued

[In cents per pound after baking]

1924

City	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Year
New England													
Boston, Mass.	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Fitchburg, Mass.	7.3	7.3	7.3	7.3	7.3	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.5
Holyoke, Mass.	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Providence, R. I.	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Hartford, Conn.	8.0	8.0	8.0	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.5
Waterbury, Conn.	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	7.0	7.0	7.0	7.6	6.9
Bridgeport, Conn.	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Group average	7.3	7.3	7.3	7.2	7.2	7.2	7.3	7.3	7.3	7.3	7.3	7.4	7.3
Middle Atlantic													
New York, N. Y.	7.5	7.5	7.5	7.5	7.5	7.5	7.7	7.7	7.7	7.8	7.8	7.8	7.6
Mount Vernon, N.Y.	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Syracuse, N. Y.	6.8	6.8	6.8	6.8	6.8	6.8	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Rochester, N. Y.	7.0	7.0	7.0	7.0	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.2
Buffalo, N. Y.	7.2	6.8	6.8	7.3	7.4	7.4	7.4	7.4	7.4	7.5	7.6	7.6	7.3
Hoboken, N. J.	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Paterson, N. J.	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.4	7.4	7.4	7.4	7.4	7.3
Garfield, N. J.	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Newark, N. J.	7.3	7.3	7.3	7.3	7.3	7.3	7.5	7.5	7.5	7.5	7.5	7.5	7.4
Philadelphia, Pa.	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.6	7.5
Norristown, Pa.	6.7	6.7	6.7	7.0	7.0	7.3	7.6	7.6	7.6	7.6	7.6	7.6	7.2
Pittsburgh, Pa.	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Group average	7.3	7.2	7.2	7.3	7.3	7.3	7.4	7.4	7.4	7.4	7.4	7.5	7.3
East North Central													
Youngstown, Ohio	6.9	6.9	6.9	6.9	6.9	6.9	7.0	7.0	7.0	7.0	6.9	6.8	6.9
Cleveland, Ohio	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Akron, Ohio	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Zanesville, Ohio	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Toledo, Ohio	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Columbus, Ohio	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Dayton, Ohio	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Cincinnati, Ohio	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Anderson, Ind.	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	7.0	6.4
Indianapolis, Ind.	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
South Bend, Ind.	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	7.3	7.3	6.8
Hammond, Ind.	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
Chicago, Ill.	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4
Peoria, Ill.	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	7.3	6.9
Springfield, Ill.	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
Detroit, Mich.	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Grand Rapids, Mich.	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	8.0	8.3	7.1
Milwaukee, Wis.	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Group average	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.2	7.3	7.1
West North Central													
Minneapolis, Minn.	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Des Moines, Iowa	7.0	7.0	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.2	7.3	7.4	7.1
St. Joseph, Mo.	6.1	6.1	6.1	6.1	6.1	6.1	6.4	6.4	6.4	6.4	6.4	6.6	6.3
Kansas City, Mo.	7.3	7.3	7.3	7.3	7.4	7.4	7.4	7.4	7.4	7.4	7.6	7.6	7.4
Omaha, Nebr.	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.4	8.4	8.2
Topeka, Kans.	6.4	6.6	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.8	6.9	7.0	6.7
Group average	7.1	7.1	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.3	7.4	7.4	7.2
South Atlantic													
Baltimore, Md.	7.4	7.4	7.4	7.4	7.4	7.4	7.5	7.5	7.5	7.5	7.6	7.6	7.5
Washington, D. C.	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Richmond, Va.	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Wheeling, W. Va.	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.9	7.3	7.3	7.3	6.9
Huntington, W. Va.	5.7	5.7	5.7	7.1	7.1	7.1	7.1	7.1	7.4	7.4	7.4	7.4	6.9
Group average	6.9	6.9	6.9	7.2	7.2	7.2	7.2	7.2	7.3	7.4	7.4	7.4	7.2
Other cities													
Oklahoma City, Okla.	6.2	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.5	6.5	6.5	6.4
Dallas, Tex.	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Butte, Mont.	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Fresno, Calif.	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.2	7.3	7.3	7.3	7.3	7.1
San Luis Obispo, Calif.	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Los Angeles, Calif.	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.6	8.0	8.0	7.4
Group average	7.0	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.2	7.3	7.3	7.1
Average, 54 cities	7.1	7.1	7.1	7.2	7.2	7.2	7.2	7.2	7.2	7.3	7.3	7.4	7.2

TABLE 3.—*Monthly average wholesale prices of bread for 54 specified cities, 1923–1925*—Continued

[In cents per pound after baking]

1925

City	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Year
New England													
Boston, Mass.	7.7	7.8	7.8	7.8	7.8	7.8	7.8	8.0	8.0	8.0	8.0	8.0	7.9
Fitchburg, Mass.	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Holyoke, Mass.	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Providence, R. I.	7.7	7.8	7.8	7.8	7.8	7.8	7.8	8.0	8.0	8.0	8.0	8.0	7.9
Hartford, Conn.	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Waterbury, Conn.	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Bridgeport, Conn.	7.3	7.3	7.5	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.5
Group average	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.7	7.7	7.7	7.7	7.7	7.6
Middle Atlantic													
New York, N. Y.	7.9	7.9	7.9	7.9	7.9	7.9	7.9	8.0	8.0	8.0	8.0	8.0	7.9
Mount Vernon, N.Y.	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.5	7.5	7.5	7.7
Syracuse, N. Y.	6.9	7.5	7.5	7.5	7.5	7.5	7.5	7.9	8.0	8.0	8.0	8.0	7.7
Rochester, N. Y.	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.7	7.5
Buffalo, N. Y.	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Hoboken, N. J.	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Paterson, N. J.	7.7	7.7	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Garfield, N. J.	7.6	7.7	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Newark, N. J.	7.7	7.8	7.8	7.8	7.8	7.8	7.8	8.0	8.0	8.0	8.0	8.0	7.9
Philadelphia, Pa.	7.6	8.0	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.3
Norristown, Pa.	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Pittsburgh, Pa.	7.8	7.8	7.8	7.8	7.8	7.8	7.8	8.0	8.0	8.0	8.0	8.0	7.9
Group average	7.6	7.7	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
East North Central													
Youngstown, Ohio	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Cleveland, Ohio	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.7	6.8	6.8	6.8	6.8	6.6
Akron, Ohio	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Zanesville, Ohio	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.0	6.7	6.7	6.7	6.7	7.1
Toledo, Ohio	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Columbus, Ohio	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.8	6.8	6.8	6.8	6.8	6.7
Dayton, Ohio	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Cincinnati, Ohio	7.2	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.9
Anderson, Ind.	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Indianapolis, Ind.	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
South Bend, Ind.	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Hammond, Ind.	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
Chicago, Ill.	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.5	8.2	7.9	7.9	8.3
Peoria, Ill.	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
Springfield, Ill.	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
Detroit, Mich.	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Grand Rapids, Mich.	8.3	8.3	8.3	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.2
Milwaukee, Wis.	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Group average	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4
West North Central													
Minneapolis, Minn.	7.6	8.3	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.5
Des Moines, Iowa	7.6	7.6	7.6	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
St. Joseph, Mo.	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Kansas City, Mo.	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.8	8.0	8.1	8.1	7.8
Omaha, Nebr.	8.5	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6
Topeka, Kans.	7.2	7.2	7.2	7.4	7.6	7.6	7.6	7.6	7.6	7.8	8.0	8.0	7.6
Group average	7.3	7.7	7.7	7.8	7.8	7.8	7.8	7.8	7.9	7.9	8.0	8.0	7.8
South Atlantic													
Baltimore, Md.	7.7	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Washington, D. C.	7.8	7.8	7.8	7.4	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	7.1
Richmond, Va.	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.7	7.9	7.3
Wheeling, W. Va.	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Huntington, W. Va.	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4
Group average	7.5	7.5	7.5	7.4	7.3	7.3	7.3	7.3	7.3	7.3	7.4	7.4	7.4
Other cities													
Oklahoma City, Okla.	6.7	6.8	7.1	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.1
Dallas, Tex.	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Butte, Mont.	8.0	8.9	9.3	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.2
Fresno, Calif.	8.3	8.3	8.3	8.3	8.3	8.1	8.0	8.0	8.0	8.0	8.0	8.0	8.1
San Luis Obispo, Calif.	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.6	7.3	7.3	7.9
Los Angeles, Calif.	8.0	8.0	8.0	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.8
Group average	7.7	7.8	8.0	7.7	7.7	7.7	7.7	7.7	7.7	7.6	7.5	7.5	7.7
Average, 54 cities	7.5	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6

TABLE 4.—*Retail prices of bread for 51 specified cities, on the 15th of each month, 1920 to 1925, as published by the Bureau of Labor Statistics, United States Department of Labor*[1]

[In cents per pound after baking]

	Portland, Me.	Manchester, N. H.	Boston	Fall River	Providence	New Haven	Bridgeport	New York	Rochester	Buffalo	Newark	Philadelphia	Scranton	Pittsburgh
1920														
January	11.0	10.5	11.3	11.9	11.7	11.1	10.6	10.5	10.5	10.5	10.5	9.6	12.6	11.2
February	12.0	10.5	11.2	12.0	11.8	12.0	12.1	11.1	11.1	11.0	10.7	9.8	12.7	11.1
March	12.0	10.5	11.2	12.0	11.8	12.0	12.1	11.1	11.2	11.1	10.7	9.8	12.9	11.1
April	12.0	10.5	11.3	12.0	11.8	12.1	12.1	11.6	11.2	11.1	10.7	9.8	12.9	11.1
May	12.0	10.6	11.3	12.0	11.9	12.2	12.3	11.8	11.2	11.1	11.4	10.6	13.2	11.9
June	12.0	11.3	11.3	12.0	11.9	12.0	12.3	11.9	11.4	11.2	11.5	10.6	13.6	11.8
July	12.0	11.3	11.3	12.0	11.9	12.0	12.5	11.9	11.4	11.3	11.5	10.6	13.9	11.8
August	12.0	11.3	11.3	12.0	12.0	12.0	12.7	11.9	11.6	11.4	11.4	10.6	13.9	11.8
September	12.0	11.3	11.4	12.0	12.3	11.8	12.7	11.9	11.6	11.4	11.5	10.6	13.9	11.8
October	12.0	11.3	11.4	12.0	12.3	11.8	12.7	11.9	11.4	11.5	11.4	10.6	13.9	11.8
November	12.0	11.2	11.4	12.0	12.3	12.0	12.7	11.9	11.2	11.5	11.4	10.6	13.9	11.8
December	11.0	10.3	10.4	10.6	11.5	11.3	11.2	11.6	10.9	11.0	10.6	9.7	12.3	11.1
Year	11.8	10.9	11.2	11.9	11.9	11.9	12.2	11.7	11.2	11.2	11.2	10.2	13.3	11.5
1921														
January	11.0	9.9	10.5	10.9	11.5	11.1	11.3	11.0	11.0	11.1	10.4	9.6	12.3	10.4
February	11.0	9.2	10.5	10.9	11.5	11.1	11.0	10.7	10.8	10.9	10.4	9.6	12.3	10.4
March	11.0	9.1	10.5	10.9	11.5	10.7	11.0	10.8	10.0	10.4	10.4	9.6	12.3	10.4
April	10.0	8.7	10.0	10.6	10.6	10.2	11.0	10.6	10.0	10.4	10.4	9.6	12.3	10.7
May	10.0	8.6	9.9	10.4	10.9	9.6	11.0	9.9	8.6	8.8	9.3	9.0	11.0	9.4
June	10.0	8.6	9.9	10.7	10.6	9.5	10.8	10.0	8.5	8.8	9.3	9.0	10.2	9.4
July	10.1	8.6	9.9	10.7	10.6	9.5	10.7	10.1	8.5	8.8	9.4	8.7	10.4	9.4
August	10.1	8.6	9.9	10.7	10.6	9.5	10.7	10.2	8.5	8.8	9.3	8.7	10.4	9.4
September	10.1	8.6	9.9	10.5	10.6	9.5	10.6	10.1	8.3	8.7	9.3	8.7	10.4	9.4
October	10.1	8.6	9.9	10.5	10.6	9.5	10.6	10.1	8.1	8.7	9.3	8.7	10.2	9.1
November	10.1	8.6	9.9	10.3	10.6	9.4	10.5	10.0	8.1	8.7	9.3	8.7	10.2	9.1
December	9.5	8.3	9.4	9.6	10.1	9.4	9.7	9.9	8.2	8.7	9.3	8.7	10.2	9.1
Year	10.3	8.8	10.0	10.6	10.8	9.9	10.7	10.3	9.1	9.4	9.7	9.1	11.0	9.7
1922														
January	9.1	8.4	8.8	9.7	9.1	8.5	8.4	9.8	8.1	8.7	8.8	8.8	9.8	8.2
February	9.1	8.0	8.5	9.7	8.9	8.4	8.4	9.0	8.1	8.6	8.5	8.8	9.6	8.1
March	9.0	8.0	8.5	9.6	8.9	8.1	8.3	8.9	8.1	8.6	8.6	8.7	9.6	8.1
April	9.2	8.0	8.5	9.6	8.9	8.1	8.3	8.9	8.1	8.6	8.6	8.7	9.4	8.1
May	9.1	8.0	8.5	9.5	8.9	8.1	8.3	8.9	8.1	8.6	8.6	8.7	9.4	8.1
June	9.4	8.0	8.5	9.3	8.9	8.1	8.3	9.7	8.1	8.6	8.6	8.7	9.2	8.2
July	9.4	8.0	8.5	9.3	8.9	8.1	8.4	9.7	8.1	8.6	8.6	8.7	9.2	8.2
August	9.4	7.9	8.5	9.2	8.9	8.1	8.4	9.7	8.0	8.6	8.6	8.7	9.1	8.2
September	9.4	8.1	8.5	9.2	8.9	8.1	8.4	9.8	8.1	8.6	8.6	8.7	8.7	8.2
October	9.4	7.7	8.4	9.2	8.9	8.1	8.4	9.8	8.0	8.5	8.6	8.6	8.7	8.2
November	9.4	7.6	8.4	9.2	8.7	8.1	8.4	9.8	8.0	8.3	8.6	8.5	8.7	8.2
December	9.4	7.6	8.4	9.2	8.7	8.1	8.4	9.7	8.0	8.2	8.6	8.5	8.7	8.2
Year	9.3	7.9	8.5	9.4	8.9	8.2	8.4	9.5	8.1	8.5	8.6	8.7	9.2	8.2
1923														
January	9.3	8.4	8.4	9.1	8.7	8.1	8.4	9.7	8.0	8.3	8.5	8.5	8.9	8.5
February	9.3	8.4	8.4	9.1	8.8	8.1	8.4	9.7	8.0	8.3	8.5	8.5	8.9	8.5
March	9.3	8.4	8.4	9.1	8.8	7.9	8.3	9.7	8.0	8.3	8.5	8.5	8.9	8.5
April	9.3	8.4	8.4	9.1	8.8	7.9	8.3	9.6	8.0	8.3	8.5	8.4	9.0	8.5
May	9.3	8.4	8.4	9.1	8.8	7.9	8.3	9.6	8.0	8.4	8.5	8.4	9.0	8.5
June	9.3	8.4	8.4	9.1	8.8	7.9	8.4	9.6	8.0	8.4	8.5	8.4	9.0	8.5
July	9.3	8.4	8.4	9.1	8.8	8.0	8.4	9.6	8.0	8.4	8.5	8.4	9.1	8.5
August	9.3	8.3	8.4	9.1	8.8	8.0	8.5	9.6	8.0	8.3	8.5	8.4	9.1	8.5
September	9.3	8.4	8.4	9.1	8.8	8.0	8.6	9.6	8.0	8.4	8.5	8.4	9.1	8.5
October	9.3	8.4	8.4	9.1	8.8	8.0	8.6	9.6	8.0	8.4	8.5	8.4	8.9	8.5
November	9.3	8.4	8.4	8.9	8.8	8.0	8.6	9.6	8.0	8.5	8.5	8.4	9.0	8.5
December	9.3	8.4	8.4	8.9	8.8	8.0	8.5	9.6	8.0	8.5	8.5	8.4	9.0	8.5
Year	9.3	8.4	8.4	9.1	8.8	8.0	8.4	9.6	8.0	8.4	8.5	8.4	9.0	8.5
1924														
January	9.3	8.4	8.4	8.9	8.7	8.3	8.4	9.4	8.0	8.4	8.5	8.5	8.9	8.5
February	9.3	8.4	8.4	8.8	8.7	8.3	8.4	9.4	8.0	8.4	8.5	8.5	8.9	8.5
March	9.3	8.3	8.4	8.8	8.7	8.3	8.4	9.5	8.1	8.4	8.6	8.5	9.0	8.5
April	9.3	8.3	8.4	8.8	8.7	8.1	8.4	9.5	8.1	8.4	8.6	8.5	9.0	8.5
May	9.3	8.3	8.4	8.8	8.7	8.1	8.4	9.5	8.2	8.4	8.6	8.5	9.0	8.5
June	9.3	8.3	8.5	8.8	8.8	8.1	8.4	9.5	8.2	8.4	8.6	8.5	9.0	8.5
July	9.3	8.3	8.5	8.8	8.8	8.1	8.4	9.5	8.2	8.4	8.6	8.5	9.0	8.5
August	9.3	8.3	8.5	8.8	8.8	8.1	8.4	9.5	8.2	8.4	8.6	8.5	9.0	8.5
September	9.3	8.3	8.5	8.8	8.8	8.1	8.5	9.5	8.3	8.4	8.6	8.5	9.0	8.5
October	9.3	8.3	8.5	8.8	8.8	8.1	8.5	9.5	8.3	8.3	8.7	8.5	9.0	8.5
November	9.3	8.3	8.5	8.8	8.8	8.3	8.5	9.5	8.3	8.5	8.7	8.6	9.0	8.5
December	9.4	8.3	8.5	8.8	8.8	8.3	8.6	9.5	8.3	8.6	8.7	8.6	9.0	8.5
Year	9.3	8.3	8.5	8.8	8.8	8.2	8.4	9.5	8.2	8.4	8.6	8.5	9.0	8.5

[1] In bulletins on "Retail prices," as follows: No. 300, May, 1922; No. 315, January, 1923; No. 334, June, 1923; No. 396, October, 1925; and No. 418, October, 1926.

TABLE 4.—*Retail prices of bread for 51 specified cities, on the 15th of each month, 1920 to 1925, as published by the Bureau of Labor Statistics, United States Department of Labor*—Continued

[In cents per pound after baking]

	Portland, Me.	Manchester, N. H.	Boston	Fall River	Providence	New Haven	Bridgeport	New York	Rochester	Buffalo	Newark	Philadelphia	Scranton	Pittsburgh
1925														
January	10.4	8.3	8.8	8.8	8.8	8.3	8.7	9.5	8.7	8.8	9.1	8.6	9.0	8.8
February	10.4	9.2	8.9	8.8	8.8	8.3	8.7	9.6	8.7	8.9	9.1	9.3	10.2	9.1
March	10.4	8.4	8.9	8.8	8.8	8.3	8.8	9.6	8.7	8.9	9.1	9.3	10.2	9.2
April	10.4	8.4	9.0	9.0	9.2	8.3	8.8	9.6	8.7	8.9	9.1	9.4	10.2	9.2
May	10.4	8.4	9.0	9.1	9.2	8.3	8.9	9.6	8.9	8.9	9.1	9.4	10.2	9.2
June	10.4	8.5	9.0	9.1	9.2	8.8	8.9	9.6	8.9	8.9	9.1	9.4	10.2	9.2
July	10.4	8.4	9.0	9.1	9.2	8.9	8.9	9.6	8.9	8.9	9.1	9.4	10.2	9.2
August	10.1	8.4	9.1	9.1	9.2	8.9	9.0	9.6	8.9	9.0	9.1	9.3	10.2	9.2
September	10.0	8.5	9.1	9.1	9.2	8.9	9.0	9.6	8.9	9.0	9.1	9.3	10.3	9.3
October	10.0	8.7	9.1	9.1	9.2	8.9	9.0	9.6	8.9	9.0	9.1	9.3	10.3	9.3
November	10.0	8.6	9.1	9.2	9.2	8.9	9.0	9.6	8.9	9.0	9.2	9.3	10.3	9.3
December	10.0	8.6	9.1	9.3	9.2	8.9	9.0	9.6	8.9	9.0	9.3	9.3	10.3	9.3
Year	10.2	8.5	9.0	9.0	9.1	8.6	8.9	9.6	8.8	8.9	9.1	9.3	10.1	9.2

	Cleveland	Columbus	Cincinnati	Indianapolis	Chicago	Peoria	Springfield	Detroit	Milwaukee	St. Paul	Minneapolis	St. Louis	Kansas City, Mo.	Omaha
1920														
January	10.9	10.7	10.1	9.7	10.6	10.7	11.0	10.9	10.4	10.4	10.6	11.4	11.6	11.6
February	10.8	10.3	10.1	10.7	11.6	11.9	12.3	11.0	10.4	10.4	10.5	11.7	12.2	12.0
March	10.8	10.3	10.1	10.7	11.6	11.9	11.6	11.2	10.4	10.4	10.4	11.7	12.1	12.1
April	10.8	10.3	10.1	10.7	11.6	10.7	11.6	11.2	10.8	10.6	10.4	11.8	12.4	12.1
May	10.8	10.5	10.8	11.6	12.3	12.4	13.5	11.5	10.8	10.6	10.4	12.4	12.4	12.2
June	11.2	10.6	11.5	11.6	12.4	12.4	13.5	11.6	10.8	11.4	11.1	12.7	12.8	12.4
July	11.6	11.6	11.5	11.6	12.4	12.6	13.5	11.7	10.9	11.4	11.1	12.8	13.2	12.2
August	11.8	11.9	11.5	11.6	12.4	12.6	13.5	12.1	10.9	11.4	11.1	13.1	13.4	12.2
September	11.8	12.1	11.5	11.6	12.4	12.6	13.5	12.1	10.9	11.4	11.1	12.1	13.0	12.1
October	11.8	12.1	11.5	11.6	12.4	12.6	13.5	12.1	11.0	11.4	11.1	12.1	12.6	11.6
November	11.8	11.9	11.5	11.6	12.4	12.6	13.5	12.1	11.0	10.4	10.3	12.0	12.1	11.5
December	10.5	10.9	10.3	10.1	11.5	11.3	11.5	11.1	10.3	10.4	10.3	11.4	11.9	11.5
Year	11.2	11.1	10.9	11.1	12.0	12.0	12.7	11.6	10.7	10.9	10.7	12.1	12.5	12.0
1921														
January	10.4	10.6	10.0	10.1	11.3	11.0	11.7	11.0	10.1	10.4	10.3	11.4	11.9	11.5
February	10.4	10.7	10.0	10.1	11.3	10.8	11.7	11.0	10.1	10.4	10.3	11.2	11.4	11.5
March	8.8	10.5	10.0	9.8	11.3	10.8	11.7	11.0	10.0	10.4	10.3	11.2	11.4	11.8
April	8.7	10.4	10.0	9.5	11.2	10.8	11.5	9.4	9.9	10.4	10.3	10.6	11.4	11.8
May	8.7	10.4	10.0	9.2	9.9	10.8	10.4	9.4	9.4	9.5	9.6	10.6	10.7	11.1
June	9.1	10.4	9.8	8.6	9.9	10.5	10.4	9.4	9.4	9.5	9.6	10.6	9.8	11.1
July	9.1	10.3	9.4	8.6	9.8	10.2	10.4	9.4	9.4	9.5	9.6	10.6	9.9	9.8
August	9.1	10.3	9.4	8.6	9.8	9.3	10.4	9.4	9.4	9.5	9.6	10.1	9.9	9.8
September	9.1	9.7	9.4	8.6	9.8	9.7	10.6	9.4	9.4	8.6	8.6	10.1	9.8	9.9
October	9.0	9.9	9.3	8.6	9.8	9.3	10.7	9.4	9.4	8.5	8.6	9.7	9.7	10.5
November	8.9	9.3	8.6	8.6	9.8	9.2	10.4	9.4	8.5	8.5	8.4	9.6	9 7	10.0
December	8.1	8.3	8.6	8.6	9.8	9.2	10.3	8.7	8.5	8.4	8.4	9.5	9.6	10.0
Year	9.1	10.0	9.5	9.1	10.3	10.1	10.9	9.7	9.5	9.5	9.5	10.4	10.4	10.7
1922														
January	8.0	8.1	8.5	8.6	9.9	9.4	9.7	8.6	8.5	8.4	8.4	9.4	9.7	10.0
February	8.0	7.9	8.5	8.6	8.9	9.4	9.6	8.6	8.4	8.4	8.4	9.6	6.4	9.8
March	7.9	7.9	8.5	8.1	9.7	9.4	9.6	8.6	8.4	8.4	8.4	9.6	6.9	9.8
April	7.9	8.0	8.5	8.1	9.7	9.0	9.7	8.5	8.4	8.5	8.8	9.3	8.1	9.8
May	7.9	8.0	8.4	8.1	9.7	8.9	9.7	8.6	9.1	9 3	8.9	9.4	7.8	9.8
June	7.9	8.1	8.4	8.1	9.7	8.6	9.6	8.6	9.3	9.3	9 0	9 3	7.8	9.8
July	7.9	8.1	8.4	8.0	9.7	9.0	9.7	8.6	9.3	9.3	9.0	9.3	7.8	9.8
August	7.9	7.8	8.4	7.3	9.7	8.7	9.7	8.6	8.9	9.3	9.0	9.0	7.9	9.9
September	7.9	7.6	8.4	7.3	9.7	8.5	9.7	8.6	8.9	9.3	9.0	9.0	7.9	9.8
October	7.9	7.6	8.4	7.3	9.7	8.5	9.7	8.6	8.9	9.4	9.0	9.0	7.9	9.8
November	7.9	7.6	8.4	7.8	9.7	8.5	9.5	8.6	8.8	9.4	9.0	8.9	7.9	9.8
December	7.9	7.6	8.4	7.3	9.7	8.5	9.5	8.6	8.9	9.4	9.0	8.9	7.9	9.8
Year	7.9	7.9	8.4	7.9	9.7	8.9	9.6	8.6	8.8	9.0	8.8	9.2	7.8	9.8

TABLE 4.—*Retail prices of bread for 51 specified cities, on the 15th of each month, 1920 to 1925, as published by the Bureau of Labor Statistics, United States Department of Labor*—Continued

[In cents per pound after baking]

	Cleveland	Columbus	Cincinnati	Indianapolis	Chicago	Peoria	Springfield	Detroit	Milwaukee	St. Paul	Minneapolis	St. Louis	Kansas City, Mo.	Omaha
1923														
January	7.9	7.9	8.4	8.4	9.7	8.0	9.3	8.6	8.9	9.4	9.0	8.9	8.2	9.8
February	7.9	7.7	8.5	8.4	9.7	8.0	9.3	8.6	8.9	9.4	9.0	8.9	8.2	9.8
March	7.9	7.9	8.4	8.4	9.7	8.0	9.3	8.6	8.9	9.4	9.0	8.9	8.2	9.8
April	7.9	7.9	8.4	8.5	9.7	8.0	9.3	8.6	8.9	9.4	9.0	8.9	8.2	9.8
May	8.2	7.9	8.4	8.5	9.7	8.0	9.2	8.6	8.9	9.4	9.0	8.9	8.1	9.8
June	8.1	7.9	8.4	8.5	9.7	8.0	9.2	8.6	8.9	9.4	9.0	8.9	8.1	9.8
July	7.9	7.9	8.4	8.5	9.7	8.0	9.2	8.6	8.9	9.4	9.0	8.9	8.0	9.8
August	7.9	7.7	8.4	8.5	9.7	8.0	9.2	8.6	8.9	9.4	9.0	8.9	7.9	9.8
September	7.9	7.7	8.4	8.5	9.7	8.0	9.3	8.6	8.9	9.4	9.0	8.9	7.9	9.8
October	7.9	7.7	8.4	8.5	9.7	8.4	9.3	8.6	8.8	9.4	9.0	8.9	7.9	9.8
November	7.9	7.7	8.4	8.5	9.7	8.8	9.8	8.6	8.8	9.4	9.0	8.9	8.0	9.8
December	7.9	7.7	8.4	8.5	9.7	8.8	9.8	8.6	8.8	9.4	9.0	8.9	8.2	9.8
Year	7.9	7.8	8.4	8.5	9.7	8.2	9.4	8.6	8.9	9.4	9.0	8.9	8.1	9.8
1924														
January	7.9	7.7	8.4	8.5	9.7	8.6	10.2	8.8	8.8	9.3	9.0	8.9	8.2	9.9
February	7.9	7.7	8.4	8.5	9.7	8.6	10.2	8.8	9.2	9.3	9.0	8.9	8.2	9.9
March	7.9	7.7	8.4	8.5	9.7	8.6	10.2	8.8	9.2	9.3	8.9	8.9	8.2	9.6
April	7.9	7.7	8.4	8.5	9.7	8.6	10.2	8.8	9.2	9.3	8.9	8.9	8.2	9.6
May	7.9	7.7	8.4	8.5	9.7	8.6	10.2	8.8	9.2	9.3	8.9	8.9	8.2	9.4
June	7.9	7.7	8.4	8.5	9.7	8.6	10.2	8.8	9.2	9.3	8.9	8.9	8.1	9.4
July	8.0	7.7	8.4	8.5	9.7	8.6	10 2	8.8	9.2	9.3	8.9	8.9	8.0	9.4
August	8.0	7.7	8.4	8.5	9.7	8.6	10.2	8.8	9.2	9.3	8.9	9.0	8.1	9.4
September	8.0	7.8	8.5	8.5	9.9	8.6	10.2	8.8	9.2	9.3	8.9	9.0	8.1	9.4
October	8.0	7.8	8.5	8.5	9.9	8.6	10.2	8.8	9.2	9.3	8.9	9.1	8.2	9.4
November	8.0	7.8	8.5	8.5	9.9	8.6	10.2	8.8	9.2	9.3	8.9	9.1	8.4	9.4
December	8.0	7.8	8.5	8.5	9.9	8.6	10.6	8.8	9.2	9.3	9.0	9.2	8.5	9.4
Year	8.0	7.7	8.4	8.5	9.8	8.6	10.2	8.8	9.2	9.3	8.9	9.0	8.2	9.5
1925														
January	8.0	7.9	8.5	8.5	10.1	9.5	10.9	8.8	9.2	9.3	9.0	9.5	9.4	9.8
February	8.1	8.1	9.3	8.5	10.1	10.0	10.9	8.8	9.2	10.3	10.0	9.5	9.6	9.8
March	8.3	8.1	9.3	8.1	10.1	10.0	10.5	8.8	9.2	10 3	10 1	9.5	9.6	9.8
April	8.0	8.1	9.3	8.1	9.9	10.0	10.3	8.7	9.0	10.2	10.1	9.5	9.6	9.8
May	8.0	8.1	9.3	8.1	9.9	10.0	10.3	8.7	9.0	10.2	10.1	9.5	9.6	9.8
June	8.0	8.1	9.2	8.1	9.9	10.0	10.3	8.7	9.0	10 2	10 1	9.5	9.7	9.8
July	8.0	8.1	9.2	8.1	9.9	10.0	10.3	8.7	9.0	10.2	10.1	9.5	9.7	9.9
August	8.0	8.1	9.2	8.1	9.9	10.0	10.3	8.7	9.0	10.2	10.1	9.5	9.7	9.9
September	8.1	8.1	9.2	8.1	9.9	10.0	10.3	8.7	9.0	10.2	10.1	9.6	9.7	9.8
October	8.1	8.1	9.2	8.1	9.8	10.0	10.3	8.7	9.0	10.2	10.0	9.9	9.7	9.8
November	8.0	8.1	9.2	8.1	9.8	10.0	10.1	8.7	9.0	10.2	9.9	9.9	9.8	9.8
December	8.0	8.1	9.2	8.1	9.8	10.0	10.1	8.7	9.0	10.2	9.9	9.9	9.8	9.8
Year	8.1	8.1	9.2	8.2	9.9	10.0	10 4	8.7	9.1	10.1	10.0	9.6	9.7	9.8

	Baltimore	Washington, D. C.	Richmond	Norfolk	Charleston, S. C.	Atlanta	Savannah	Jacksonville	Louisville	Memphis	Birmingham	Mobile
1920												
January	10.1	10.2	11.6	11.3	10.6	11.1	10.3	10.7	10.2	11.0	10.2	10.6
February	10.2	10.1	12.3	11.3	10.6	11.0	10.7	10.7	10.1	11.3	10.2	10.2
March	10.2	10.6	12.7	11.3	11.5	12.2	11.5	11.0	10.1	12.1	10.7	10.2
April	11.0	10.6	12.7	11.4	11.5	11.5	11.7	10.9	11.1	12.3	10.8	10.3
May	11.3	12.2	12.8	11.4	11.5	11.5	11.7	11.9	11.1	12.5	11.4	10.5
June	11.4	12.3	13.0	11.7	13.2	12.2	15.8	12.5	11.1	12.9	11.5	10.8
July	11.4	12.3	13.1	11.9	13.6	12.7	12.7	12.7	11.1	12.9	11.5	11.0
August	11.4	12.1	13.2	11.8	13.6	12.8	12.7	12.7	10.4	13.1	11.5	11.0
September	11.4	12.2	13.2	11.5	13.6	12.8	12.7	12.3	10.4	13.2	11.5	11.0
October	10.8	12.0	13.1	11.5	13.2	12.8	12.4	12.2	10.4	13.5	11.5	11.0
November	10.8	12.0	12.8	11.4	12.9	12.3	12.4	12.2	10.2	13.3	11.4	11.0
December	10.8	10.4	11.1	10.5	12.8	12.3	11.0	11.7	10.1	12.9	11.3	10.4
Year	10.9	11.4	12.6	11.4	12.4	12.1	12.1	11.8	10.5	12.6	11.1	10.7

TABLE 4.—*Retail prices of bread for 51 specified cities, on the 15th of each month, 1920 to 1925, as published by the Bureau of Labor Statistics, United States Department of Labor*—Continued

[In cents per pound after baking]

	Baltimore	Washington, D. C.	Richmond	Norfolk	Charleston, S. C.	Atlanta	Savannah	Jacksonville	Louisville	Memphis	Birmingham	Mobile
1921												
January	10.8	10.5	11.1	10.4	11.6	12.3	11.2	11.5	10.1	12.1	11.3	10.1
February	10.8	10.5	11.1	10.0	11.6	12.2	11.2	11.5	10.1	11.3	11.1	10.0
March	10.4	10.6	11.1	10.0	11.6	11.9	11.2	11.3	10.1	11.3	10.7	9.9
April	9.9	10.5	10.8	10.0	11.6	11.5	11.2	10.4	10.0	10.1	10.2	9.9
May	9.2	10.5	10.7	9.7	11.4	11.1	10.6	10.4	8.9	10.1	9.4	9.8
June	9.2	10.2	10.7	9.7	11.3	11.1	10.6	10.4	8.9	10.3	9.6	9.5
July	9.2	10.2	10.7	9.7	11.1	10.9	10.6	10.3	8.9	10.3	9.5	9.5
August	9.2	10.2	10.7	9.5	10.9	10.9	10.6	10.3	8.9	10.3	9.5	9.4
September	8.5	10.2	10.7	9.2	10.8	10.9	10.5	10.4	8.9	10.3	9.5	8.4
October	8.6	10.2	10.7	9.1	10.8	10.9	10.5	10.4	8.9	10.3	9.5	8.4
November	8.6	8.1	10.6	9.1	10.8	9.9	10.4	10.4	8.9	9.7	9.3	8.4
December	8.6	7.9	10.6	9.1	10.3	10.0	10.4	10.4	8.9	9.6	9.3	8.3
Year	9.4	10.0	10.8	9.6	11.2	11.1	10.8	10.6	9.3	10.5	9.9	9.3
1922												
January	8.6	8.6	9.1	7.8	9.8	10.1	7.8	10.4	8.9	9.2	9.1	8.3
February	8.6	8.6	9.1	7.3	9.5	10.1	8.0	10.4	8.6	9.3	9.1	8.4
March	8.6	8.6	9.1	8.0	9.5	10.1	7.8	10.4	8.6	9.0	9.2	8.3
April	8.6	8.6	9.1	8.0	9.5	10.0	8.3	10.4	8.6	9.2	9.2	8.3
May	8.6	8.6	9.1	7.9	9.5	10.0	8.7	10.7	8.8	9.2	9.2	8.2
June	8.6	8.7	9.1	7.9	9.5	10.0	8.0	10.7	8.8	9.2	9.2	8.2
July	8.6	8.7	9.2	8.0	9.6	10.0	8.3	10.7	8.8	9.3	9.2	8.2
August	8.6	8.7	9.1	7.9	9.6	9.8	8.3	10.6	8.8	9.1	9.2	8.2
September	8.5	8.5	9.1	7.8	9.6	9.6	8.7	10.6	8.8	9.0	9.0	8.2
October	8.1	8.5	9.1	8.0	9.7	9.6	8.7	10.6	8.8	9.0	9.0	8.2
November	8.3	8.5	9.2	8.1	9.5	9.6	8.7	10.6	8.8	9.0	9.0	8.3
December	8.4	8.5	9.2	8.1	9.4	9.6	8.7	10.6	8.8	9.1	9.0	8.3
Year	8.5	8.6	9.1	7.9	9.6	9.9	8.3	10.6	8.8	9.1	9.1	8.3
1923												
January	8.4	8.2	9.1	8.1	9.5	9.1	8.4	10.2	8.4	9.1	8.8	8.6
February	8.4	8.2	9.1	7.9	9.5	9.1	8.7	10.2	8.4	9.0	8.9	8.6
March	8.4	8.2	9.1	7.9	9.5	9.1	8.7	10.2	8.4	9.0	8.9	8.8
April	8.4	8.2	9.2	7.9	9.5	9.2	8.7	10.2	8.4	9.0	8.9	9.0
May	8.4	8.2	9.2	7.9	10.2	9.2	8.7	10.3	8.4	9.0	8.9	9.0
June	8.5	8.6	9.2	7.9	10.2	9.2	8.7	10.3	8.4	9.2	8.9	8.8
July	8.7	9.0	8.8	7.9	10.2	9.2	8.7	10.3	8.5	8.9	8.9	8.9
August	8.8	9.0	8.7	7.8	10.3	9.2	8.5	10.3	8.4	8.9	8.9	8.7
September	8.7	9.0	8.7	7.8	10.2	9.1	8.5	10.3	8.4	8.9	8.8	8.9
October	8.8	9.0	8.6	7.8	10.2	9.1	8.5	10.3	8.4	9.2	8.8	8.7
November	8.8	9.0	8.6	7.9	10.2	9.1	8.5	10.3	8.4	9.1	8.8	8.7
December	8.8	9.0	8.6	7.9	10.2	9.1	8.5	10.3	8.4	9.0	8.8	8.9
Year	8.6	8.6	8.9	7.9	10.0	9.1	8.6	10.3	8.4	9.0	8.9	8.8
1924												
January	8.8	9.0	8.6	7.8	10.8	9.1	8.6	9.9	8.4	9.0	8.8	8.8
February	8.8	9.0	8.5	7.8	10.8	9.1	8.6	9.9	8.4	9.0	8.8	8.8
March	8.8	9.0	8.5	7.9	10.8	9.1	8.6	9.9	8.4	9.0	8.8	8.8
April	8.8	9.0	8.5	7.9	10.6	9.1	8.6	9.9	8.4	9.0	8.8	8.8
May	8.8	9.0	8.4	7.9	10.7	9.1	8.6	9.9	8.4	8.9	8.8	8.8
June	8.8	9.0	8.4	7.9	10.7	9.1	8.6	9.9	8.4	8.9	8.8	8.8
July	8.8	9.0	8.4	7.9	10.7	9.1	8.6	10.1	8.4	9.1	8.8	8.8
August	8.9	9.0	8.4	8.0	10.7	9.1	8.6	10.2	8.5	9.1	8.8	9.0
September	8.9	9.0	8.5	8.0	10.7	9.1	8.6	10.3	8.5	9.1	9.3	9.0
October	8.9	8.8	8.7	8.0	10.7	9.2	8.6	10.3	8.5	8.9	9.4	9.2
November	8.9	8.8	8.7	8.1	10.7	9.3	8.6	10.3	8.9	9.1	9.4	9.2
December	9.0	8.8	9.0	8.1	10.6	9.3	8.7	10.5	9.3	9.2	9.5	9.4
Year	8.9	9.0	8.6	7.9	10.7	9.1	8.6	10.1	8.5	9.0	9.0	9.0
1925												
January	9.1	8.8	9.5	8.6	10.8	10.0	10.2	11.1	9.3	9.4	10.2	9.7
February	9.1	8.8	9.6	9.4	10.8	10.3	10.2	11.1	9.4	9.4	10.4	9.8
March	9.2	8.7	9.4	9.4	10.8	10.2	10.2	11.1	9.4	9.5	10.4	9.5
April	9.4	8.7	9.4	9.4	10.8	10.2	10.2	11.2	9.3	9.5	10.4	9.6
May	9.4	8.2	9.4	9.4	10.8	10.3	10.2	11.2	9.3	9.6	10.4	9.7
June	9.4	8.1	9.4	9.4	10.8	10.3	10.2	11.2	9.3	9.6	10.4	9.5
July	9.4	8.0	9.4	9.4	10.8	10.4	10.2	11.0	9.3	9.6	10.4	9.5
August	9.4	8.0	9.4	9.4	10.8	10.4	10.2	11.0	9.3	9.6	10.4	9.5
September	9.4	8.0	9.4	9.5	10.8	10.4	10.2	11.0	9.3	9.7	10.2	9.5
October	9.4	8.0	9.4	9.5	10.8	10.4	10.2	11.0	9.3	9.7	10.2	9.6
November	9.4	8.0	9.4	9.5	10.8	10.4	10.2	11.0	9.3	9.7	10.2	9.6
December	9.4	8.0	9.3	9.5	10.8	10.4	10.2	11.0	9.3	9.7	10.2	9.6
Year	9.3	8.3	9.4	9.4	10.8	10.3	10.2	11.1	9.3	9.6	10.3	9.6

TABLE 4.—*Retail prices of bread for 51 specified cities, on the 15th of each month, 1920 to 1925, as published by the Bureau of Labor Statistics, United States Department of Labor*—Continued

[In cents per pound after baking]

	Little Rock	New Orleans	Dallas	Houston	Butte	Denver	Salt Lake City	Seattle	Portland, Oreg.	San Francisco	Los Angeles
1920											
January	10.5	10.0	12.1	10.2	12.1	11.6	12.1	11.5	10.5	10.9	9.6
February	10.5	10.0	12.1	10.3	11.5	11.7	12.1	11.7	10.5	10.9	9.6
March	10.5	10.1	12.1	10.2	11.9	11.8	12.2	11.6	10.5	10.9	9.6
April	10.5	10.1	12.1	10.2	12.0	12.0	12.3	11.5	10.5	10.9	9.6
May	10.5	10.1	12.2	10.3	14.3	11.9	12.4	11.5	10.5	10.9	9.9
June	11.0	10.4	12.1	10.2	14.4	12.1	12.5	11.5	11.4	10.9	10.6
July	11.0	10.4	12.0	10.5	14.4	12.2	12.6	11.5	11.3	10.9	10.6
August	11.0	10.4	12.0	10.3	14.3	12.2	12.6	11.5	11.3	10.9	10.6
September	11.0	10.5	12.0	10.3	14.3	12.2	12.6	11.5	11.3	10.9	10.6
October	11.0	10.7	12.0	10.3	12.8	12.1	12.4	11.5	11.3	10.9	10.6
November	11.0	10.5	12.1	10.2	12.1	11.4	12.2	11.4	10.4	10.9	9.7
December	10.7	9.6	10.3	9.6	12.0	10.7	11.8	10.1	10.3	10.1	9.7
Year	10.8	10.2	11.9	10.2	13.0	11.8	12.3	11.4	10.8	10.8	10.1
1921											
January	10.7	9.7	10.2	9.1	12.0	10.9	11.8	10.0	10.3	9.6	9.7
February	9.5	9.7	10.2	9.1	9.9	10.8	11.8	10.0	9.7	9.6	9.7
March	9.5	9.5	10.2	9.0	9.7	10.8	11.8	10.0	9.5	9.6	9.7
April	9.5	9.3	10.2	8.9	9.7	10.7	10.3	10.0	9.5	9.6	9.4
May	9.5	8.5	10.2	8.9	9.6	10.3	9.8	9.9	9.5	9.6	9.2
June	9.5	8.3	10.2	8.7	9.6	10.3	9.8	9.9	9.5	9.6	9.2
July	9.5	8.2	10.1	8.7	9.7	10.3	9.8	9.9	9.5	9.6	9.2
August	9.5	8.2	10.1	8.6	9.7	10.1	9.8	9.9	9.5	9.6	9.2
September	9.5	8.1	10.1	8.5	9.7	10.2	9.8	9.9	9.5	9.6	9.2
October	9.5	8.1	10.1	8.5	9.6	10.0	9.8	9.8	9.5	9.6	9.2
November	8.4	8.1	10.0	8.5	9.6	10.0	9.8	8.2	8.4	8.5	9.2
December	8.4	8.1	9.4	8.4	9.6	9.7	9.6	8.1	8.4	8.5	9.2
Year	9.4	8.7	10.1	8.7	9.9	10.3	10.3	9.6	9.4	9.4	9.3
1922											
January	8.4	8.0	9.1	7.1	9.6	8.3	9.6	7.5	8.4	8.5	9.0
February	8.4	8.0	9.1	7.0	9.6	8.2	9.4	8.1	8.4	8.5	9.0
March	8.4	8.1	9.1	7.0	9.6	8.2	9.4	8.2	9.3	8.5	9.0
April	8.4	8.1	9.1	7.0	9.6	8.2	9.4	8.2	9.3	8.5	9.0
May	8.4	8.1	9.1	7.0	9.8	8.2	9.4	9.9	9.3	8.5	9.0
June	8.4	8.0	9.1	6.8	9.7	8.2	9.4	9.9	9.4	8.5	9.1
July	8.4	7.8	8.8	6.8	9.7	8.2	9.5	9.9	9.4	8.5	9.1
August	8.4	7.7	8.9	6.9	9.7	8.4	9.4	9.9	9.4	8.5	9.0
September	8.3	7.7	8.8	6.6	9.7	8.4	9.5	9.9	9.4	8.5	9.0
October	8.3	7.7	8.8	6.6	9.7	8.3	9.5	9.9	9.4	9.1	9.0
November	8.3	7.6	8.9	6.6	9.7	8.2	9.4	8.6	9.4	9.0	9.0
December	8.3	7.7	8.9	6.6	9.7	8.2	9.4	8.6	9.4	9.0	8.8
Year	8.4	7.9	9.0	6.8	9.7	8.3	9.5	9.2	9.2	8.7	9.0
1923											
January	8.2	7.7	9.0	7.2	9.7	8.2	9.8	8.6	9.4	9.0	8.8
February	8.2	7.7	8.9	7.2	9.7	8.2	9.6	8.6	9.4	9.0	8.8
March	8.2	7.7	8.9	7.2	9.7	8.2	9.5	8.6	9.4	9.0	9.0
April	8.2	7.7	8.9	7.2	9.7	8.2	9.7	9.9	9.4	9.0	9.0
May	8.2	7.7	8.9	7.2	9.7	8.2	9.5	9.9	9.4	9.0	9.0
June	8.2	7.7	8.9	7.2	9.7	8.2	9.6	9.9	9.4	9.1	9.0
July	8.1	7.6	8.9	7.1	9.7	8.1	9.6	9.9	9.4	9.1	9.0
August	8.1	7.6	8.7	7.1	9.7	7.8	9.8	9.9	9.2	9.2	9.0
September	8.1	7.6	8.7	7.1	9.6	7.8	9.8	9.9	9.2	9.2	9.0
October	8.1	7.6	8.7	7.1	9.6	7.8	9.8	9.9	9.2	9.2	9.0
November	8.1	7.6	8.7	7.1	9.7	7.8	9.8	9.9	9.2	9.2	9.0
December	8.1	7.6	8.7	7.1	9.7	7.8	9.8	9.9	9.2	9.2	9.0
Year	8.2	7.7	8.8	7.2	9.7	8.0	9.7	9.6	9.3	9.1	9.0
1924											
January	8.1	7.7	8.7	7.0	9.7	7.7	9.7	9.8	9.6	9.1	8.7
February	8.1	7.7	8.7	7.0	9.6	7.7	9.7	9.8	9.6	9.1	8.7
March	8.1	7.7	8.7	7.0	9.7	7.7	9.8	9.8	9.6	9.1	8.7
April	8.1	7.7	8.7	7.0	9.6	7.7	9.8	9.8	9.5	9.1	8.7
May	8.0	7.7	8.7	7.0	9.6	7.7	9.7	9.8	9.5	9.1	8.7
June	8.0	7.7	8.7	7.0	9.6	7.7	9.7	9.8	9.5	9.1	8.7
July	8.0	7.7	8.7	7.5	9.6	7.7	9.8	9.8	9.5	9.1	8.7
August	8.0	7.9	8.7	7.5	9.6	7.7	9.8	9.7	9.5	9.1	8.7
September	8.1	7.9	8.7	8.0	9.6	7.9	9.8	9.7	9.6	9.1	8.8
October	8.1	8.2	8.7	8.0	9.6	7.9	9.8	9.7	9.6	9.1	8.8
November	8.1	8.3	8.8	8.0	9.6	7.9	9.9	9.7	9.6	9.2	9.1
December	8.1	8.8	8.8	8.3	9.6	7.9	9.9	9.7	9.6	9.2	9.4
Year	8.1	7.9	8.7	7.4	9.6	7.8	9.8	9.8	9.6	9.1	8.8

TABLE 4.—*Retail prices of bread for 51 specified cities, on the 15th of each month 1920 to 1925, as published by the Bureau of Labor Statistics, United States Department of Labor*—Continued

[In cents per pound after baking]

	Little Rock	New Orleans	Dallas	Houston	Butte	Denver	Salt Lake City	Seattle	Portland, Oreg.	San Francisco	Los Angeles
1925											
January	8.7	8.8	8.8	8.9	9.8	8.1	10.2	10.0	9.6	10.1	9.4
February	8.7	8.9	8.8	8.9	11.9	8.3	10.8	10.3	9.6	10.1	9.4
March	8.7	8.9	8.8	8.9	11.7	8.4	10.8	10.3	9.6	9.9	9.4
April	9.7	8.9	8.5	8.9	9.8	8.4	10.8	10.3	9.6	9.9	9.3
May	8.7	8.9	8.5	8.9	9.8	8.3	10.8	10.3	9.6	9.9	9.3
June	8.7	8.9	8.5	8.9	9.7	8.3	10.8	9.9	9.6	9.9	9.3
July	8.7	8.9	8.5	8.9	9.7	8.3	10.8	9.8	9.6	9.9	9.3
August	8.8	8.9	8.5	8.9	9.7	8.3	10.8	10.1	9.6	9.9	9.3
September	8.8	8.9	8.5	8.9	9.7	8.4	10.8	10.0	9.6	9.9	9.3
October	8.8	8.9	8.5	8.9	9.7	8.4	10.8	10.0	9.6	9.9	9.3
November	8.8	8.9	8.6	8.9	9.7	8.4	10.5	9.7	9.6	9.9	9.3
December	8.8	8.9	8.6	8.9	9.8	8.4	10.5	9.7	9.6	9.9	9.3
Year	8.7	8.9	8.6	8.9	10.1	8.3	10.7	10.0	9.6	9.9	9.3

TABLE 5.—*Subsidiary owned or controlled companies of the Continental Baking Corporation, May 15, 1926*

Name of company	Date of incorporation	Where incorporated	Duration of charter	Business	Authorized number of shares				Issued number of shares	Ownership of stock by Continental or subsidiaries
					Par value	First preferred	Second preferred	Common		
American Bakery Co	Sept. 18, 1924	Maryland	Perpetual	Bakery operating company.	$100	10,000			10,000	All shares owned by Continental Baking Corporation.
					No par.			10,000	10,000	Do.
Atlas Bakeries (Inc.)	Nov. 26, 1923	Delaware	do	do	100	5,000			2,460	All shares owned by United Bakeries Corporation.
					No par.			5,000	2,500	Do.
Bakeries Service Corporation	July 27, 1922	do	do	Service company	100	2,000			2,000	All shares owned by Continental Baking Corporation.
					No par.			2,000	2,000	Do.
Butter-Krust Baking Co	Jan. 4, 1908	Utah	do	Bakery operating company.	10			7,500	7,380	Do.
Campbell Baking Co	May 12, 1920	Delaware	do	do	50	A100,000			52,883	36,194 shares owned by United Bakeries Corporation.
						B100,000			450	All shares owned by United Bakeries Corporation.
					No par.			200,000	112,830	112,829 shares owned by United Bakeries Corporation.
The Consumers' Baking Co	June 20, 1904	New Jersey	do	do	100	10,000			5,000	All shares owned by Continental Baking Corporation.
					No par.			20,000	10,000	Do.
Continental Baking Co. (Stritzinger Bakery).	Sept. 17, 1925	Delaware	do	do	No par.			3,500	3,350	Do.
Continental Baking Co. (Inc.) (formerly Shults Bread Co.).	Feb. 1, 1910	New York	do	Bakery operating and stock-holding company.	100			60,000	53,763	All shares owned by United Bakeries Corporation.
The Corby Baking Co. (Inc.)	Apr. 19, 1916	Virginia	Not stated.	Bakery operating company.	No par.			60,000	60,000	All shares owned by Continental Baking Corporation.
Crescent Baking Co. (Mississippi).	Dec. 2, 1921	Mississippi	50 years	do	100			1,000	200	All shares owned by Memphis Baking Co.
Crescent Baking Co. (Inc.) (N. Y.).	May 24, 1922	New York	Perpetual	do	100	1,500			1,500	All shares owned by United Bakeries Corporation.
					No par.			1,500	1,500	Do.
Dent Harrison & Sons (Ltd.)	Dec. 15, 1921	Dominion of Canada.	do	do	No par.			10,000	10,000	All shares owned by Northern Bakeries (Ltd.).
El Paso Baking Co	Jan. 30, 1924	Texas	50 years	do	100			100	100	All shares owned by Standard Bakeries Corporation.
Hall Baking Co	Dec. 18, 1920	Delaware	Perpetual	do	50	5,000			3,358	3,336 shares owned by United Retail Bakeries (Inc.).
					50			15,000	15,000	All shares owned by United Retail Bakeries (Inc.).

Ideal Bread Co. (Ltd.)	Nov. 21, 1923	Ontario	do	do	100	20,000			15,400	All shares owned by Northern Bakeries (Ltd.).
					100			10,000	10,000	Do.
James M. Aird (Ltd.)	Aug. 28, 1918	Dominion of Canada.	do	do	100	2,500			2,500	Do.
					100			5,000	5,000	Do.
James Strachan (Ltd.)	Aug. 24, 1914	Quebec	do	do	100			5,000	4,400	Do.
Livingston Baking Co	June 26, 1923	Illinois	Not stated.	do	100	1,000			397	All shares owned by Continental Baking Corporation.
					5			200,000	200,000	Do.
					1	50,000			49,500	Do.
Log Cabin Baking Co	Jan. 20, 1904	Oregon	Perpetual	do	1		50,000		33,000	Do.
					1			200,000	200,000	Do.
					100	22,000			17,738	17,718 shares owned by Continental Baking Corporation.
Massachusetts Baking Co	Nov. 29, 1917	Massachusetts	do	do	100		11,000		8,937	All shares owned by Continental Baking Corporation.
					No par.			37,000	12,835	11,834½ shares owned by Continental Baking Corporation.
Memphis Baking Co	June 12, 1922	Delaware	do	Bakery operating and stock-holding company.	100	2,500			1,975	All shares owned by United Bakeries Corporation.
					No par.			2,500	2,500	Do.
Meyers Baking Co. (Inc.)	Jan. 27, 1925	New York	do	Bakery operating company.[1]	No par.			5,000	1,050	All shares owned by Continental Baking Co. (Inc.)
Mills Baking Co	Oct. 19, 1915	Michigan	30 years	do	100	10,000			8,450	All shares owned by United Retail Bakeries (Inc.).
					100			2,500	2,500	Do.
Neal Baking Co. (Ltd.)	Mar. 1, 1907	Ontario	Perpetual	do	100			5,000	4,817	All shares owned by Northern Bakeries (Ltd.).
New England Bakery Co	Oct. 26, 1915	Massachusetts	do	do	No par.			5,000	5,000	All shares owned by Continental Baking Corporation.
Northern Bakeries (Ltd.)	Mar. 11, 1925	Dominion of Canada.	do	Stock-holding company.	100	250,000			42,533	Do.
					No par.			250,000	250,000	Do.
Occident Baking Co	Aug. 1, 1914	Minnesota	30 years	Bakery operating company.	100			3,000	3,000	Do.
Ogden Baking Co	Mar. 19, 1919	Utah	Perpetual	do	1			85,000	82,000	Do.
Perfection Bread Co	Feb. 26, 1914	California	50 years	do	100			150	150	Do.
Spokane Bakery Co	May 21, 1896	Washington	Perpetual	do	100			1,000	1,000	Do.
Standard Bakeries Corporation.	Jan. 8, 1923	Delaware	do	Bakery operating and stock-holding company.	100	15,000			9,982	2,157 shares owned by Continental Baking Corporation.
					No par.			200,000	90,843	All shares owned by Continental Baking Corporation.
Star Baking Co	Oct. 1, 1925	do	do	Bakery operating company.	100			1,000	1,000	All shares owned by United Retail Bakeries (Inc.).
The Stroehmann Baking Co	Mar. 21, 1922	West Virginia	50 years	do	100	5,000			5,000	All shares owned by United Bakeries Corporation.
					No par.			5,000	5,000	Do.
Taggart Baking Co	May 1, 1905	Indiana	do	do	100	2,000			1,690	All shares owned by Continental Baking Corporation.
					100		2,000		1,910	Do.
					100			8,250	8,250	Do.

[1] Bakery inactive.

TABLE 5—*Subsidiary owned or controlled companies of the Continental Baking Corporation, May 15, 1926*—Continued

Name of company	Date of incorporation	Where incorporated	Duration of charter	Business	Authorized number of shares				Issued number of shares	Ownership of stock by Continental or subsidiaries
					Par value	First preferred	Second preferred	Common		
United Bakeries Corporation	Sept. 14, 1921	Delaware	Perpetual	Stock-holding company.	100	250,000			178,231	177,807 shares owned by Continental Baking Corporation.
					No par.			250,000	211,408	210,313 shares owned by Continental Baking Corporation.
United Retail Bakeries (Inc.)	Feb. 7, 1925	Maryland	do	do	100	300,000			27,344	25,315 shares owned by Continental Baking Corporation.
					No par.			A300,000	50,000	All shares owned by Continental Baking Corporation.
The Wagner Baking Co	June 1, 1890	Michigan	30 years [1]	Bakery operating company.	No par.			B57,050	57,050	Do.
					100			7,000	7,000	Do.
Ward Bros. Co. (Inc.)	Sept. 19, 1912	New York	Perpetual	do	100	45,000			42,310	All shares owned by United Bakeries Corporation.
Ward & Ward (Inc.)	Jan. 18, 1917	Delaware	do	do	100			20,000	14,752	Do.
					100	10,000			9,126	Do.
					100			10,000	10,000	Do.
R. B. Ward & Co. (Inc.)	Apr. 19, 1923	do	do	do	100	20,000			11,752	All shares owned by Continental Baking Corporation.
Washington Bakeries Corporation.	Feb. 11, 1922	Washington	50 years	do	No par.			20,000	20,000	Do.
					100			3,000	3,000	Do.

[1] Existence extended for 30 years from July 1, 1920, by certificate filed Aug. 17, 1920.

TABLE 6.—*Revised baking investment, production, sales, and profits for 30 and 62 identical wholesale baking companies, and ratios of productions, sales, and profits to revised investment in specified years*

	Number of plants	Investment, excluding intangibles and appreciation of tangibles	Bread production (pounds)	Bread sales (amount)	Sales of other bakery products (amount)	Sales of bread and other bakery products, (amount)	Bakery operating profits (amount)
30 identical companies							
1920	113	40,580,588	1,264,087,491	$124,475,968	$30,148,339	$154,624,307	[1] $9,139,733
1921	116	43,733,549	1,240,174,313	102,601,880	22,584,595	125,186,475	[1] 12,488,480
1922	118	47,742,227	1,322,096,962	96,710,973	21,671,186	118,382,159	[1] 12,569,407
1923	130	54,995,608	1,494,779,301	110,281,192	24,273,382	134,554,574	[1] 13,265,210
1924	129	62,032,923	1,527,979,034	113,871,274	27,362,285	141,233,559	[1] 16,453,595
Average		49,816,979	1,369,823,420	109,588,257	25,207,957	134,796,215	[1] 12,783,285
62 identical companies							
1922	157	53,570,976	1,506,238,013	110,235,427	23,800,612	134,036,039	13,421,375
1923	169	61,932,611	1,703,006,849	125,613,413	26,885,904	152,499,317	14,524,434
1924	168	69,949,451	1,748,871,710	130,240,823	30,362,615	160,603,438	17,832,978
Average		61,817,679	1,652,705,524	122,029,887	27,016,377	149,046,265	15,259,596
RATIO TO INVESTMENT							
30 identical companies							
1920			31.150	3.067	0.743	3.810	0.225
1921			28.358	2.347	.515	2.862	.285
1922			27.692	2.026	.454	2.480	.264
1923			27.180	2.006	.441	2.447	.242
1924			24.632	1.836	.441	2.277	.265
Average			27.497	2.200	.506	2.706	.257
62 identical companies							
1922			28.117	2.058	.444	2.502	.250
1923			27.498	2.028	.434	2.462	.234
1924			25.002	1.862	.434	2.296	.255
Average			26.735	1.974	.437	2.411	.247

[1] Bakery operating profit differs slightly from total bakery profit, which includes discounts on purchases and other miscellaneous items.

TABLE 7.—*Costs, including and excluding ingredients per pound of bread for exclusively wholesale baking plants, in specified years by arithmetic size groups.*

Production per plant in pounds	1922				1923			
	Number of plants	Average bread production per plant	Total cost	Cost excluding ingredients	Number of plants	Average bread production per plant	Total cost	Cost excluding ingredients
		Pounds	*Cents*	*Cents*		*Pounds*	*Cents*	*Cents*
Under 2,500,000	14	1,547,742	7.606	4.225	22	1,653,298	7.103	3.948
2,500,000 to 5,000,000	28	3,668,437	6.917	3.620	34	3,756,692	6.952	3.749
5,000,000 to 7,500,000	23	6,242,900	6.803	3.624	36	6,237,620	7.017	3.818
7,500,000 to 10,000,000	13	8,729,285	7.408	4.252	18	8,726,660	6.535	3.566
Under 5,000,000	42	2,961,540	7.037	3.725	56	2,914,040	6.985	3.793
5,000,000 to 10,000,000	36	7,140,762	7.070	3.901	54	7,067,298	6.819	3.715
10,000,000 to 15,000,000	20	12,198,850	6.456	3.404	32	12,163,941	6.585	3.518
15,000,000 to 20,000,000	9	18,359,571	6.114	2.953	10	16,831,513	6.429	3.490
20,000,000 to 25,000,000	11	22,339,347	6.541	3.374	9	22,289,216	6.493	3.297
25,000,000 to 30,000,000	None				6	27,520,831	6.411	3.259
30,000,000 to 35,000,000	4	31,195,491	6.603	3.450	2	32,176,853	6.859	3.243
Over 35,000,000	1	37,526,470	7.365	4.092	3	37,612,528	7.152	3.814
Total	123	9,745,580	6.662	3.502	172	9,582,643	6.661	3.545
	1924				1925			
Under 2,500,000	16	1,599,204	7.447	4.279	16	1,700,948	7.670	4.312
2,500,000 to 5,000,000	29	3,772,077	6.914	3.813	22	3,686,939	7,226	3.821
5,000,000 to 7,500,000	32	6,292,206	6.659	3.691	36	6,257,471	7.106	3.651
7,500,000 to 10,000,000	28	8,502,602	6.832	3.783	25	8,542,944	7.191	3.661
Under 5,000,000	45	2,999,501	7.015	3.901	38	2,850,206	7,338	3.919
5,000,000 to 10,000,000	60	7,325,724	6.753	3.741	61	7,194,140	7.147	3.651
10,000,000 to 15,000,000	28	12,305,397	6.336	3.477	35	12,361,094	6.879	3.460
15,000,000 to 20,000,000	13	17,303,304	6.309	3.373	15	17,263,814	6.536	3.195
20,000,000 to 25,000,000	8	22,298,763	6.482	3.359	6	22,210,504	6.414	2.981
25,000,000 to 30,000,000	9	26,902,832	6.290	3.178	7	27,119,279	6.954	3.343
30,000,000 to 35,000,000	1	31,300,689	6.177	3.249	3	33,405,554	6.835	3.375
Over 35,000,000	3	37,603,744	6.708	3.426	1	38,320,073	7.095	3.559
Total	167	10,230,674	6.523	3.502	166	10,243,316	6.900	3.445

TABLE 8.—*Costs, including and excluding ingredients per pound of bread for exclusively wholesale baking plants in specified years, by geometric size groups*

Production per plant in pounds	1922				1923			
	Number of plants	Average bread production per plant	Total cost	Cost excluding ingredients	Number of plants	Average bread production per plant	Total cost	Cost excluding ingredients
		Pounds	*Cents*	*Cents*		*Pounds*	*Cents*	*Cents*
Under 1,687,500	8	1,074,794	8.076	4.451	10	1,098,552	7.443	4.085
1,687,500 to 2,531,250	6	2,178,338	7.297	4.076	12	2,115,586	6.957	3.890
2,531,250 to 3,796,875	16	3,177,586	7.064	3.671	19	3,239,961	7.145	3.907
3,796,875 to 5,695,312	18	4,701,510	6.717	3.524	26	4,880,220	6.873	3,688
5,695,312 to 8,542,968	23	6,901,734	7.027	3.867	34	7,036,419	6.874	3.729
8,542,968 to 12,814,452	20	10,520,140	6.853	3.751	27	10,476,979	6.569	3.556
12,814,452 to 19,221,678	14	16,123,844	6.275	3.137	24	14,931,716	6.516	3.501
19,221,678 to 28,832,517	13	21,875,730	6.397	3.257	14	24,036,927	6.497	3.297
28,832,517 to 43,248,775	5	32,461,687	6.779	3.599	6	34,400,521	6.710	3.533
Total	123	9,745,580	6.662	3.502	172	9,582,643	6.661	3.545
	1924				1925			
Under 1,687,500	7	950,318	7.658	4.463	6	947,384	7.668	4.265
1,687,500 to 2,531,250	9	2,103,893	7.373	4.214	8	2,049,840	7.477	3.991
2,531,250 to 3,796,875	16	3,233,546	7.060	3.868	15	3,125,808	7.641	4.131
3,796,875 to 5,695,312	23	4,851,352	6.655	3.700	21	4,906,431	7.105	3.673
5,695,312 to 8,542,968	37	7,172,473	6.779	3.771	37	7,149.786	7.128	3.626
8,542,968 to 12,814,452	30	10,490,968	6.450	3.506	33	10,487,344	7.049	3.605
12,814,452 to 19,221,678	21	15,071,449	6.302	3.442	26	15,282,056	6.629	3.257
19,221,678 to 28,832,517 [1]	20	23,944,729	6.418	3.298	16	23,868,176	6.701	3.196
28,832,517 to 43,248,775	4	36,027,980	6.593	3.388	4	34,634,184	6.907	3.426
Total	167	10,230,674	6.523	3.502	166	10,243,316	6.900	3.445

[1] Includes 1 plant of 29,000,000 pounds.

TABLE 9.—*Total costs, including and excluding ingredients for 100 identical exclusively wholesale plants, by arithmetic and geometric size groups, 1922–1925*

ARITHMETIC GROUPING

Production per plant in pounds per year	Number of plant years	Average bread production per plant per year	Total cost	Cost, excluding ingredients
		Pounds	*Cents*	*Cents*
Under 2,500,000	25	1,437,470	7.102	3.780
2,500,000 to 5,000,000	64	3,800,102	6.905	3.613
5,000,000 to 7,500,000	82	6,269,658	7.010	3.710
7,500,000 to 10,000,000	53	8,536,727	7.086	3.816
Under 5,000,000	89	3,136,442	6.931	3.635
5,000,000 to 10,000,000	135	7,159,692	7.045	3.759
10,000,000 to 15,000,000	78	12,486,280	6.559	3.422
15,000,000 to 20,000,000	31	17,458,000	6.259	3.110
20,000,000 to 25,000,000	30	22,494,937	6.447	3.238
25,000,000 to 30,000,000	22	27,140,247	6.535	3.253
30,000,000 to 35,000,000	9	32,137,670	6.536	3.357
Over 35,000,000	6	38,340,306	7.063	3.746
Total	400	11,380,110	6.653	3.432

GEOMETRIC GROUPING

Under 1,687,500	15	957,267	7,166	3.641
1,687,500 to 2,531,250	10	2,157,776	7.060	3.872
2,531,250 to 3,796,875	34	3,261,860	7.023	3.653
3,796,875 to 5,695,312	52	4,808,938	6.915	3.619
5,695,312 to 8,542,968	87	7,009,064	7.064	3.765
8,542,968 to 12,814,452	68	10,472,608	6.740	3.583
12,814,452 to 19,221,678	60	15,091,543	6.423	3.276
19,221,678 to 28,832,517	57	23,689,456	6.476	3.229
28,832,517 to 43,248,775	17	33,965,988	6.680	3.473
Total	400	11,380,110	6.653	3.432

TABLE 10.—*Total costs, including and excluding ingredients for 100 identical exclusively wholesale plants, by arithmetic size groups and by years, for 1922–1925*

[Cents per pound]

Production per plant in pounds	1922				1923			
	Number of plants	Average bread production per plant	Total cost	Cost, excluding ingredients	Number of plants	Average bread production per plant	Total cost	Cost, excluding ingredients
		Pounds				*Pounds*		
Under 5,000,000	30	3,107,365	6.977	3.630	23	3,277,368	6.902	3.637
5,000,000 to 10,000,000	31	7,135,695	6.983	3.812	33	7,179,584	6.962	3.776
10,000,000 ot 15,000,000	17	12,249,487	6.512	3.447	21	12,371,640	6.496	3.444
15,000,000 to 20,000,000	7	18,264,256	5.976	2.830	6	16,998,596	6.371	3.372
20,000,000 to 25,000,000	11	22,339,347	6.541	3.374	7	22,833,541	6.415	3.231
25,000,000 to 30,000,000	None.				6	27,520,831	6.412	3.260
30,000,000 to 35,000,000	3	31,122,656	6.527	3.453	2	32,176,853	6.260	3.243
Over 35,000,000	1	37,526,470	7.365	4.092	2	38,904,332	7.286	3.937
Total	100	10,271,458	6.628	3.472	100	11,412,239	6.625	3.484
	1924				1925			
Under 5,000,000	21	3,255,112	6.864	3.703	15	2,812,371	6.987	3.531
5,000,000 to 10,000,000	34	7,328,135	6.853	3.739	37	7,007,271	7.358	3.719
10,000,000 to 15,000,000	19	12,545,390	6.371	3.443	21	12,739,130	6.823	3.363
15,000,000 to 20,000,000	8	17,328,331	6.089	3.146	10	17,272,997	6.537	3.133
20,000,000 to 25,000,000	6	22,669,582	6.348	3.254	6	22,210,504	6.414	2.981
25,000,000 to 30,000,000	9	26,902,833	6.289	3.177	7	27,119,279	6.954	3.343
30,000,000 to 35,000,000	1	31,300,689	6.177	3.249	3	33,405,554	6.835	3.375
Over 35,000,000	2	38,193,314	6.673	3.477	1	38,320,073	7.095	3.559
Total	100	11,803,333	6.463	3.406	100	12,033,410	6.888	3.374

TABLE 11.—*Total costs, including and excluding ingredients for 100 identical exclusively wholesale plants by geometric size groups and by years, for 1922–1925*

[Cents per pound]

Production per plant in pounds	1922				1923			
	Number of plants	Average bread production per plant	Total cost	Cost, excluding ingredients	Number of plants	Average bread production per plant	Total cost	Cost, excluding ingredients
		Pounds				*Pounds*		
Under 1,687,500	5	957,751	8.068	4.397	4	1,028,250	6.795	3.368
1,687,500 to 2,531,250	3	2,276,451	7.572	4.374	1	2,424,032	6.371	3.301
2,531,250 to 3,796,875	12	3,210,660	7.003	3.569	10	3,351,292	6.954	3,672
3,796,875 to 5,695,312	14	4,643,589	6.732	3.478	13	4,791,674	7.016	3.717
5,695,312 to 8,542,968	21	6,785,912	6.973	3.798	21	6,943,043	7.028	3.797
8,542,968 to 12,814,452	17	10,559,183	6.842	3.764	17	10,250,663	6.610	3.564
12,814,452 to 19,221,678	11	15,881,852	6.202	3.049	17	14,805,593	6.424	3.401
19,221,678 to 28,832,517	13	21,875,725	6.397	3.257	12	24,645,736	6.456	3.262
28,832,517 to 43,248,775	4	32,723,610	6.767	3.636	5	34,274,662	6.679	3.530
Total	100	10,271,458	6.628	3.472	100	11,412,239	6.625	3.484
	1924				1925			
Under 1,687,500	3	816,023	7.102	3.564	3	1,003,058	6.287	2.872
1,687,500 to 2,531,250	3	2,182,145	6.874	3.905	3	1,925,981	6.953	3.481
2,531,250 to 3,796,875	7	3,346,073	6.899	3.686	5	3,087,974	7.414	3,770
3,796,875 to 5,695,312	13	4,809,116	6.757	3.667	12	5,020,357	7,170	3.618
5,695,312 to 8,542,968	21	7,116,461	6.916	3.795	24	7,168,117	7.298	3.686
8,542,968 to 12,814,452	19	10,552,631	6.442	3.433	15	10,524,664	7.141	3.588
12,814,452 to 19,221,678	14	15,039,990	6.320	3.407	18	14,918,747	6.645	3.202
19,221,678 to 28,832,517	16	24,267,183	6.326	3.214	16	23,868,176	6.701	3.196
28,832,517 to 43,248,775	4	34,154,329	6.368	3,291	4	34,634,184	6.907	3.426
Total	100	11,803,333	6.463	3.406	100	12,033,410	6.888	3.374

TABLE 12.—*Comparative realizations, costs, and profits per pound of bread for wholesale and combined wholesale and house-to-house plants of single and multiple plant companies, by arithmetic size groups, 1922–1925 combined*

[Cents per pound]

Production per plant in pounds per year	Number of plant years	Average bread production per plant per year	Sales realization	Flour cost	Other ingredients cost	Total ingredients cost	Manufacturing expense	Cost to doors	Selling and delivery expense	General and administrative expense	Total cost	Margin of profit	Cost excluding ingredients
		Pounds											
SINGLE PLANTS													
Under 2,500,000	51	1,224,881	8.262	2.459	1.059	3.518	2.250	5.768	1.103	0.588	7.459	0.793	3.941
2,500,000 to 5,000,000	43	3,577,115	7.182	2.320	.960	3.280	1.640	4.920	1.444	.455	6.819	.333	3.539
5,000,000 to 7,500,000	29	6,157,157	7.373	2.412	.947	3.359	1.692	5.051	1.512	.478	7.041	.332	3.632
7,500,000 to 10,000,000	26	8,767,223	7.343	2.332	.971	3.303	1.746	5.049	1.741	.417	7.177	.466	3.874
Under 5,000,000	94	2,302,740	7.470	2.360	.961	3.321	1.715	5.036	1.636	.434	7.106	.466	3.765
5,000,000 to 10,000,000	55	7,388,642	7.525	2.367	.961	3.328	1.728	5.056	1.594	.380	7.030	.495	3.702
10,000,000 to 15,000,000	24	11,682,216	7.304	2.281	.849	3.130	1.495	4.625	1.594	.390	6.609	.695	3.479
15,000,000 to 20,000,000	5	17,776,248	7.187	2.170	.822	2.992	1.374	4.366	1.844	.498	6.708	.479	3.716
20,000,000 to 25,000,000	4	21,340,026	7.280	2.294	1.114	3.408	1.513	4.921	1.276	.347	6.544	.736	3.136
25,000,000 to 30,000,000	5	139,707,072	7.267	2.206	1.093	3.299	1.527	4.826	1.381	.197	6.404	.863	3.105
Total	187	6,507,847	7.393	2.308	.956	3.264	1.626	4.890	1.534	.405	6.829	.564	3.565
MULTIPLE PLANTS													
Under 2,500,000	38	1,892,548	7.421	2.227	0.957	3.184	2.263	5.447	1.816	0.339	7.622	[1] 0.201	4.438
2,500,000 to 5,000,000	94	3,795,389	7.457	2.229	.988	3.217	1.891	5.108	1.783	.278	7.169	.288	3.952
5,000,000 to 7,500,000	105	6,317,278	7.440	2.250	.936	3.186	1.833	5.019	1.675	.217	6.911	.529	3.725
7,500,000 to 10,000,000	64	8,611,498	7.438	2.212	.989	3.201	1.867	5.068	1.735	.228	6.910	.528	3.769
Under 5,000,000	122	3,304,766	7.450	2.228	.935	3.163	1.811	4.974	1.789	.289	6.951	.199	4.040
5,000,000 to 10,000,000	169	7,136,344	7.439	2.232	.933	3.165	1.821	4.986	1.709	.222	6.911	.528	3.746
10,000,000 to 15,000,000	98	12,519,698	7.286	2.275	.853	3.128	1.694	4.822	1.601	.197	6.620	.668	3.492
15,000,000 to 20,000,000	44	17,290,088	7.305	2.305	.825	3.130	1.574	4.704	1.463	.176	6.343	.962	3.213
20,000,000 to 25,000,000	38	22,664,399	7.588	2.317	.887	3.204	1.688	4.892	1.604	.198	6.694	.894	3.490
25,000,000 to 30,000,000	22	26,730,494	7.539	2.351	.894	3.245	1.615	4.860	1.465	.146	6.471	1.068	3.226
30,000,000 to 35,000,000	20	32,320,133	7.667	2.391	.766	3.157	1.364	4.521	1.618	.169	6.308	1.359	3.151
Above 35,000,000	14	38,807,357	7.890	2.400	.917	3.317	1.757	5.074	1.621	.158	6.853	1.037	3.536
Total up to 30,000,000	493	10,169,880	7.421	2.282	.889	3.171	1.717	4.888	1.604	.201	6.693	.728	3.822
Total all multiple plants	527	11,771,271	7.487	2.303	.879	3.182	1.683	4.865	1.607	.194	6.666	.821	3.484
All plants combined	714	10,392,764	7.471	2.304	.891	3.195	1.674	4.869	1.595	.229	6.693	.778	3.498

[1] Loss

TABLE 13.—*Comparative realizations, costs and profits per pound of bread for wholesale and combined wholesale and house-to-house plants of single and multiple plant companies, by geometric size groups, 1922–1925 combined*

[Cents per pound]

SINGLE PLANTS

Production per plant in pounds per year	Number of plant years	Average bread production per plant per year	Sales realization	Flour cost	Other ingredient cost	Total ingredient cost	Manufacturing expense	Cost to doors	Selling and delivery expense	General and administrative expense	Total cost	Margin of profit	Cost excluding ingredients
		Pounds											
Under 1,687,500	34	851,205	7.923	2.543	0.928	3.471	2.185	5.656	1.112	0.523	7.291	0.632	3.820
1,687,500 to 2,531,250	17	1,971,333	8.536	2.387	1.172	3.559	2.306	5.865	1.095	.644	7.604	.932	4.045
2,531,250 to 3,796,875	28	3,098,372	7.340	2.417	.984	3.401	1.652	5.053	1.405	.490	6.948	.392	3.547
3,796,875 to 5,695,312	25	4,854,360	7.143	2.342	.884	3.226	1.690	4.916	1.460	.474	6.850	.293	3.624
5,695,312 to 8,542,968	31	7,141,801	7.524	2.333	.964	3.297	1.735	5,032	1.667	.434	7.133	.391	3.836
8,542,968 to 12,814,452	31	10,098,345	7.433	2.302	.941	3.243	1.584	4.827	1.559	.415	6.801	.632	3.558
12,814,452 to 19,221,678	11	15,200,370	7.111	2.238	.812	3.050	1.450	4.500	1.754	.363	6.617	.494	3.567
19,221,678 to 28,832,517 [1]	10	24,475,079	7.339	2.247	1.064	3.311	1.502	4.813	1.422	.286	6.521	.818	3.210
28,832,517 to 43,248,775													
Total	187	6,507,842	7.393	2.308	.956	3.264	1.626	4.890	1.534	.405	6.829	.564	3.565

MULTIPLE PLANTS

Under 1,687,500	10	1,021,105	7.469	2.214	1.023	3.237	2.846	6.083	2.180	0.601	8.864	[2] 1.395	5.627
1,687,500 to 2,531,250	26	2,176,293	7.399	2.219	.933	3.152	2.156	5.308	1.712	.316	7.336	.063	4.184
2,531,250 to 3,796,875	47	3,239,848	7.549	2.258	.995	3.253	1.980	5.233	1.901	.328	7.462	.087	4.209
3,796,875 to 5,695,312	73	4,848,873	7.463	2.237	.963	3.200	1.799	4.999	1.683	.251	6.933	.530	3.733
5,692,312 to 8,542,968	102	7,039,158	7.408	2.254	.936	3.190	1.828	5.018	1.664	.211	6.893	.515	3.703
8,542,968 to 12,814,452	92	10,590,708	7.387	2.238	.878	3.116	1.762	4.878	1.684	.210	6.772	.615	3.656
12,814,452 to 19,221,678	76	15,301,559	7.240	2.290	.830	3.120	1.622	4.742	1.524	.176	6.442	.798	3.322
19,221,678 to 28,832,517	66	23,579,498	7.568	2.336	.888	3.224	1.645	4.869	1.532	.181	6.582	.986	3.358
28,832,517 to 43,248,775 [3]	35	34,826,279	7.747	2.386	.836	3.222	1.540	4.762	1.617	.164	6.543	1.204	3.321
Total up to 28,832,517	492	10,131,179	7.424	2.283	.889	3.172	1.719	4.891	1.604	.202	6.697	.727	3.525
Total	527	11,771,271	7.487	2.303	.879	3.182	1.683	4.865	1.607	.194	6.666	.821	3.484
Total all plants	714	10,392,754	7.471	2.304	.891	3.195	1.674	4.869	1.595	.229	6.693	.778	3.498

[1] Includes one bakery over 28,832,517. [2] Loss. [3] Includes one bakery over 43,248,775.

TABLE 14.—*Comparative realizations, costs, and profits per pound of bread for exclusively wholesale plants of single and multiple plant companies, by arithmetic size groups, years 1922-1925 combined*

[Cents per pound]

SINGLE PLANTS

Production per plant in pounds per year	Number of plant years	Average bread production per plant per year	Sales realization	Flour cost	Other ingredient cost	Total ingredient cost	Manufacturing expense	Cost to doors	Selling and delivery expense	General and administrative expense	Total cost	Margin of profit	Cost excluding ingredients
		Pounds											
Under 2,500,000	35	1,411,132	7.882	2.382	0.996	3.378	2.094	5.472	1.156	0.508	7.136	0.746	3.758
2,500,000 to 5,000,000	41	3,522,098	7.149	2.322	.962	3.284	1.652	4.936	1.424	.454	6.814	.335	3.530
5,000,000 to 7,500,000	23	6,300,622	7.344	2.343	.977	3.340	1.639	4.979	1.566	.435	6.980	.364	3.640
7,500,000 to 10,000,000	26	8,762,223	7.643	2.332	.971	3.303	1.746	5.049	1.711	.417	7.177	.466	3.874
Under 5,000,000	76	2,552,572	7.328	2.335	.970	3.305	1.762	5.067	1.355	.466	6.888	.440	3.583
5,000,000 to 10,000,000	49	7,606,777	7.527	2.336	.981	3.317	1.711	5.028	1.662	.413	7.103	.424	3.786
10,000,000 to 15,000,000	24	11,682,216	7.304	2.281	.849	3.130	1.495	4.625	1.594	.390	6.609	.695	3.479
15,000,000 to 20,000,000	5	17,776,248	7.187	2.170	.822	2.992	1.374	4.366	1.844	.498	6.708	.479	3.716
20,000,000 to 25,000,000	4	21,340,026	7.280	2.294	1.114	3.408	1.513	4.921	1.276	.347	6.544	.736	3.136
25,000,000 to 30,000,000	5	27,941,414	7.267	2.206	1.093	3.299	1.527	4.826	1.381	.197	6.404	.863	3.105
Total	163	7,121,712	7.366	2.292	.958	3.250	1.605	4.855	1.547	.392	6.794	.572	3.544

MULTIPLE PLANTS

Under 2,500,000	33	1,862,235	7.398	2.239	0.956	3.195	2.275	5.470	1.789	0.389	7.648	[1] 0.250	4.453
2,500,000 to 5,000,000	72	3,808,623	7.375	2.225	.989	3.214	1.856	5.070	1.720	.286	7.076	.299	3.862
5,000,000 to 7,500,000	104	6,248,521	7.422	2.243	.937	3.180	1.832	5.012	1.668	.218	6.898	.524	3.718
7,500,000 to 10,000,000	58	8,523,951	7.401	2.228	.915	3.143	1.792	4.935	1.696	.232	6.863	.538	3.720
Under 5,000,000	105	3,238,044	7.379	2.228	.983	3.211	1.931	5.142	1.732	.305	7.179	.200	3.968
5,000,000 to 10,000,000	162	7,063,181	7.356	2.219	.920	3.139	1.801	4.940	1.667	.223	6.830	.526	3.691
10,000,000 to 15,000,000	91	12,418,015	7.237	2.265	.854	3.119	1.687	4.806	1.583	.199	6.588	.649	3.469
15,000,000 to 20,000,000	42	17,346,909	7.312	2.302	.823	3.125	1.571	4.696	1.452	.176	6.324	.988	3.199
20,000,000 to 25,000,000	30	22,420,959	7.482	2.286	.900	3.186	1.591	4.777	1.502	.206	6.485	.997	3.299
25,000,000 to 30,000,000	17	26,904,610	7.590	2.344	.933	3.277	1.616	4.893	1.536	.146	6.575	1.015	3.298
30,000,000 to 35,000,000	10	32,065,302	7.255	2.407	.792	3.199	1.588	4.787	1.619	.159	6.565	.690	3.366
Above 35,000,000	8	37,687,082	7.706	2.268	1.066	3.334	1.957	5.291	1.559	.155	7.005	.701	3.671
Total up to 30,000,000	447	10,006,368	7.378	2.272	.893	3.165	1.698	4.863	1.581	.205	6.649	.729	3.484
Total all multiple plants	465	10,956,981	7.389	2.280	.897	3.177	1.706	4.883	1.582	.199	6.664	.725	3.487
All plants combined	628	9,961,537	7.386	2.283	.908	3.191	1.687	4.878	1.576	.235	6.689	.697	3.498

[1] Loss.

TABLE 15.—*Comparative realizations, costs, and profits per pound of bread for exclusively wholesale plants of single and multiple plant companies, by geometric size groups, 1922–1925 combined*

[Cents per pound]

SINGLE PLANTS

Production per plant in pounds per year	Number of plant years	Average bread production per plant per year	Sales realization	Flour cost	Other ingredient cost	Total ingredient cost	Manufacturing expense	Cost to doors	Selling and delivery expense	General and administrative expense	Total cost	Margin of profit	Costs, excluding ingredients
Under 1,687,500	22	1,061,229	7.903	2.472	0.997	3.469	2.160	5.629	1.125	0.489	7.243	0.660	3.774
1,687,500 to 2,531,250	13	2,002,505	7.866	2.302	.994	3.296	2.036	5.332	1.185	.525	7.042	.824	3.746
2,531,250 to 3,796,875	28	3,096,372	7.340	2.417	.984	3.401	1.652	5.053	1.405	.490	6.948	.392	3.547
3,796,875 to 5,695,312	19	4,725,994	7.053	2.255	.943	3.198	1.639	4.837	1.515	.384	6.736	.317	3.538
5,695,312 to 8,542,968	29	7,238,192	7.524	2.313	.965	3.278	1.732	5.010	1.671	.441	7.122	.402	3.844
8,542,968 to 12,814,452	31	10,098,345	7.433	2.302	.941	3.243	1.584	4.827	1.559	.415	6.801	.632	3.558
12,814,452 to 19,221,678	11	15,200,370	7.111	2.238	.812	3.050	1.450	4.500	1.754	.363	6.617	.494	3.567
19,221,678 to 28,832,517 [1]	10	24,475,079	7.339	2.247	1.064	3.311	1.502	4.813	1.422	.286	6.521	.818	3.210
Total	163	7,121,712	7.366	2.292	.958	3.250	1.605	4.855	1.547	.392	6.794	.572	3.544

MULTIPLE PLANTS

Under 1,687,500	9	952,597	7.516	2.268	0.958	3.226	2.889	6.115	2.171	0.651	8.937	[2] 1.421	5.711
1,687,500 to 2,531,250	22	2,170,830	7.359	2.223	.941	3.164	2.163	5.327	1.672	.348	7.347	.012	4.183
2,531,250 to 3,796,875	38	3,270,267	7.462	2.277	.994	3.271	1.959	5.230	1.824	.347	7.401	.061	4.130
3,796,875 to 5,695,312	69	4,874,422	7.401	2.216	.967	3.183	1.780	4.963	1.651	.256	6.870	.531	3.687
5,695,312 to 8,542,968	102	5,214,966	7.408	2.254	.936	3.190	1.828	5.018	1.664	.211	6.893	.515	3.703
8,542,968 to 12,814,452	79	10,646,126	7.306	2.231	.870	3.101	1.748	4.849	1.642	.216	6.707	.599	3.606
12,814,452 to 19,221,678	74	15,280,033	7.243	2.287	.829	3.116	1.622	4.738	1.518	.176	6.432	.811	3.316
19,221,678 to 28,832,517	53	23,340,302	7.528	2.318	.909	3.227	1.589	4.816	1.499	.185	6.500	1.028	3.273
28,832,517 to 43,248,775	19	34,276,854	7.448	2.325	.924	3.249	1.750	4.999	1.586	.159	6.744	.704	3.495
Total up to 28,832,517	446	9,963,533	7.381	2.273	.893	3.166	1.700	4.866	1.581	.206	6.653	.728	3.487
Total	465	10,956,981	7.389	2.280	.897	3.177	1.706	4.883	1.582	.199	6.664	.725	3.487
Total all plants	628	9,961,537	7.386	2.283	.908	3.191	1.687	4.878	1.576	.235	6.689	.697	3.498

[1] Includes one plant above 28,832,517 pounds.

[2] Loss.

TABLE 16.—*Comparative costs, including and excluding ingredients per pound of bread for exclusively wholesale plants of single and multiple plant companies, by geometric size groupings for specified years*

[Cents per pound]

Production per plant in pounds	1922								1923							
	Number of plants		Average bread production per plant		Total cost		Cost, excluding ingredients		Number of plants		Average bread production per plant		Total cost		Cost, excluding ingredients	
	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple
			Pounds	*Pounds*							*Pounds*	*Pounds*				
Under 1,687,500	7	1	1,064,745	1,145,144	7.608	11.116	4.059	6.996	7	3	1,198,009	866,485	7.305	7.891	3.846	4.862
1,687,500 to 2,531,250	3	3	2,080,225	2,276,451	6.996	7.572	3.751	4.374	4	8	2,006,100	2,170,329	6.797	7.031	3.674	3.990
2,531,250 to 3,796,875	9	7	3,117,978	3,254,233	6.824	7.359	3.408	3.994	8	11	3,277,637	3,212,560	6.740	7.445	3.514	4.198
3,796,875 to 5,695,312	4	14	4,623,949	4,723,668	6.882	6.671	3.665	3.485	6	20	4,820,169	4,945,236	6.926	6.857	3.619	3.707
5,695,312 to 8,542,968	8	15	6,954,346	6,873,674	7.120	6.977	3.891	3.855	8	26	7,360,603	6,936,670	6.941	6.852	3.785	3.710
8,542,968 to 12,814,452	7	13	10,338,425	10,617,987	6.603	6.984	3.429	3.919	8	19	10,460,493	10,483,921	6.514	6.592	3.482	3.587
12,814,452 to 19,221,678	3	11	16,765,792	15,948,769	6.552	6.195	3.305	3.088	2	22	14,355,613	14,984,089	6.632	6.505	3.732	3.480
19,221,678 to 28,832,517 [1]	2	11	21,312,821	21,978,071	6.648	6.353	3.267	3.255	3	11	25,830,786	23,547,693	6.138	6.604	2.940	3.404
Total up to 28,832,517	43	75	6,539,029	10,069,595	6.779	6.594	3.511	3.479	46	120	6,941,846	9,354,062	6.595	6.671	3.458	3.572
28,832,517 to 43,248,775	------	5	----------	32,461,687	--------	6.779	--------	3.599	------	6	----------	34,400,521	--------	6.710	--------	3.533
Total	------	80	----------	11,469,101	--------	6.626	--------	3.499	------	126	----------	10,546,750	--------	6.677	--------	3.566

Production per plant in pounds	1924								1925							
	Number of plants		Average bread production per plant		Total cost		Cost, excluding ingredients		Number of plants		Average bread production per plant		Total cost		Cost, excluding ingredients	
	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple
Under 1,687,500	4	3	867,147	1,061,214	7.269	8.081	3.871	5.107	4	2	1,009,794	822,566	6.422	10.726	3.019	7.325
1,687,500 to 2,531,250	5	4	1,997,032	2,237,470	7.229	7.534	3.949	4.623	1	7	1,782,335	2,088,055	7.258	7.503	3.470	4.054
2,531,250 to 3,796,875	7	9	3,034,237	3,388,565	7.081	7.045	3.787	3.924	4	11	2,807,968	3,241,386	7.493	7.688	3.522	4.323
3,796,875 to 5,695,312	4	19	5,021,166	4,814,970	6.316	6.730	3.399	3.767	5	16	4,656,086	4,984,664	6.755	7.208	3.458	3.737
5,695,312 to 8,542,968	8	29	7,461,982	7,092,608	6.992	6.717	3.834	3.753	5	32	7,138,431	7,151,560	7.638	7.048	3.880	3.585
8,542,968 to 12,814,452	8	22	9,613,801	10,809,938	6.680	6.376	3.583	3.481	8	25	10,010,672	10,639,880	7.397	6.945	3.730	3.568
12,814,452 to 19,221,678	4	17	14,834,306	15,127,247	6.508	6.254	3.716	3.379	2	24	14,429,124	15,353,134	6.940	6.605	3.552	3.234
19,221,678 to 28,832,517	3	17	25,843,892	23,609,582	6.491	6.403	3.188	3.319	2	14	23,550,557	23,913,550	7.088	6.647	3.640	3.134
Total up to 28,832,517	43	120	7,634,075	10,301,212	6.688	6.472	3.573	3.497	31	131	7,486,151	9,641,073	7.237	6.899	3.661	3.447
28,832,517 to 43,248,775	------	4	----------	36,027,980	--------	6.593	--------	3.388	------	4	----------	34,634,184	--------	6.907	--------	3.426
Total	------	124	----------	11,131,107	--------	6.484	--------	3.485	------	135	----------	10,876,444	--------	6.846	--------	3.411

[1] Includes one plant of 29,000,000 pounds. If this plant had been shown separately the cost, excluding ingredients would have been 3.393 and the cost of the 28 to 43 million group would have been lower for single than for multiple plants.

TABLE 17.—*Comparative costs, including and excluding ingredients per pound of bread for exclusively wholesale plants of single and multiple plant companies by arithmetic size groupings for specified years*

[Cents per pound]

Production per plant in pounds	1922								1923							
	Number of plants		Average bread production per plant		Total cost		Cost excluding ingredients		Number of plants		Average bread production per plant		Total cost		Cost excluding ingredients	
	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple
			Pounds	*Pounds*							*Pounds*	*Pounds*				
Under 2,500,000	10	4	1,369,389	1,993,624	7.329	8.081	3.919	4.751	11	11	1,491,861	1,814,735	7.057	7.143	3.762	4.104
2,500,000 to 5,000,000	11	17	3,279,836	3,919,885	6.813	6.974	3.473	3.700	13	21	3,749,976	3,856,089	6.737	7.082	3.569	3.858
5,000,000 to 7,500,000	8	15	6,236,973	6,246,056	7.080	6.655	3.703	3.581	6	30	6,499,117	6,185,320	7.064	7.007	3.670	3.849
7,500,000 to 10,000,000	4	9	8,892,433	8,656,774	6.911	7.635	3.886	4.419	6	12	9,077,241	8,551,363	6.782	6.403	3.757	3.464
Under 5,000,000	21	21	2,372,957	3,552,978	6.954	7.092	3.595	3.811	24	32	2,715,006	3,154,374	6.818	7.092	3.618	3.905
5,000,000 to 10,000,000	12	24	7,122,128	7,150,076	7.010	7.099	3.780	3.961	12	42	7,788,179	6,861,332	6.900	6.792	3.721	3.713
10,000,000 to 15,000,000	6	14	11,297,711	12,585,052	6.572	6.411	3.437	3.391	6	26	11,224,722	12,380,682	6.439	6.616	3.388	3.546
15,000,000 to 20,000,000	2	7	17,764,368	18,529,629	6.527	6.001	3.179	2.802	1	9	15,865,943	16,938,798	6.771	6.303	4.081	3.428
20,000,000 to 25,000,000	2	9	21,312,821	22,567,464	6.648	6.519	3.266	3.396	1	8	21,410,916	22,399,003	6.403	6.503	2.964	3.336
Total up to 25,000,000	43	75	6,539,029	10,069,595	6.779	6.594	3.511	3.479								
25,000,000 to 30,000,000									2	4	28,040,722	27,260,886	6.037	6.604	2.932	3.427
Total up to 30,000,000									46	121	6,941,846	9,518,169	6.594	6.654	3.458	3.560
30,000,000 to 35,000,000		4		31,195,491		6.603		3.450		2		32,176,853		6.259		3.243
Over 35,000,000		1		37,526,470		7.365		4.092		3		37,612,828		7.152		3.814
Total		80		11,469,101		6.626		3.499		126		10,546,751		6.677		3.566
	1924								1295							
Under 2,500,000	9	7	1,494,860	1,733,360	7.239	7.678	3.855	4.750	5	11	1,164,302	1,943,969	6.678	7.940	3.157	4.500
2,500,000 to 5,000,000	9	20	3,376,388	3,950,138	6.724	6.987	3.579	3.903	8	14	3,648,807	3,708,729	7.034	7.334	3.479	4.013
5,000,000 to 7,500,000	5	27	6,266,363	6,296,992	6.593	6.671	3.439	3.738	4	32	6,172,999	6,268,030	7.138	7.102	3.724	3.643
7,500,000 to 10,000,000	10	18	8,512,423	8,497,143	7.109	6.678	3.894	3.722	6	19	8,776,720	8,469,120	7.895	6.960	3.975	3.545
Under 5,000,000	18	27	2,435,624	3,375,418	6.882	7.079	3.663	4.016	13	25	2,693,227	2,932,235	6.975	7.511	3.425	4.155
5,000,000 to 10,000,000	15	45	7,763,739	7,177,053	6.970	6.674	3.771	3.730	10	51	7,735,231	7,088,044	7.653	7.039	3.894	3.599
10,000,000 to 15,000,000	6	22	12,105,545	12,359,903	6.395	6.320	3.541	3.459	6	29	12,100,884	12,414,931	7.016	6.851	3.540	3.444
15,000,000 to 20,000,000	1	12	17,802,943	17,261,667	6.409	6.300	3.846	3.332	1	14	19,683,616	17,090,971	7.252	6.477	4.275	3.106
20,000,000 to 25,000,000	1	7	21,323,546	22,438,080	6.479	6.482	3.050	3.401		6		22,210,504		6.414		2.981
25,000,000 to 30,000,000	2	7	28,104,066	26,559,623	6.495	6.227	3.241	3.158	1	6	27,417,497	27,069,593	6.970	6.952	3.183	3.370
Total up to 30,000,000	43	120	7,634,075	10,301,212	6.688	6.472	3.573	3.497	31	131	7,486,151	10,151,017	7.237	6.840	3.661	3.409
30,000,000 to 35,000,000		1		31,300,689		6.177		3.249		3		33,405,554		6.835		3.375
Over 35,000,000		3		37,603,744		6.708		3.426		1		38,320,073		7.095		3.559
Total		124		11,131,107		6.484		3.485		135		10,876,444		6.846		3.411

TABLE 18.—*Yearly comparison of costs of plants of single and multiple plant companies by arithmetic size groupings indicating which group is higher or lower* [1]

	1922				1923			
	Cost, including ingredients		Cost, excluding ingredients		Cost, including ingredients		Cost, excluding ingredients	
	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple
Under 2,500,000	L	H	L	H	L	H	L	H
2,500,000 to 5,000,000	L	H	L	H	L	H	L	H
5,000,000 to 7,500,000	H	L	H	L	H	L	H	L
7,500,000 to 10,000,000	L	H	L	H	H	L	H	L
Under 5,000,000	L	H	L	H	L	H	L	H
5,000,000 to 10,000,000	L	H	L	H	L	H	L	H
10,000,000 to 15,000,000	H	L	H	L	L	H	L	H
15,000,000 to 20,000,000	H	L	H	L	H	L	H	L
20,000,000 to 25,000,000					H	L	H	L
25,000,000 to 30,000,000					H	L	H	L
30,000,000 to 35,000,000								
Over 35,000,000								

	1924				1925			
	Cost, including ingredients		Cost, excluding ingredients		Cost, including ingredients		Cost, excluding ingredients	
	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple
Under 2,500,000	L	H	L	H	L	H	L	H
2,500,000 to 5,000,000	L	H	L	H	L	H	L	H
5,000,000 to 7,250,000	L	H	L	H	L	H	L	H
7,250,000 to 10,000,000	H	L	H	L	H	L	H	L
Under 5,000,000	L	H	L	H	L	H	L	H
5,000,000 to 10,000,000	L	H	L	H	L	H	L	H
10,000,000 to 15,000,000	H	L	H	L	L	H	L	H
15,000,000 to 20,000,000	H	L	H	L	H	L	H	L
20,000,000 to 25,000,000	H	L	H	L	H	L	H	L
25,000,000 to 30,000,000	H	L	H	L	H	L	H	L
30,000,000 to 35,000,000	H	L	H	L	H	L	H	L
Over 35,000,000	H	L	H	L	H	L	H	L

[1] H indicates that the group is higher and L indicates that the group is lower.

TABLE 19.—*Yearly comparison of costs of plants of single and multiple plant companies by geometric size groupings indicating which group is higher or lower* [1]

	1922				1923			
	Cost, including ingredients		Cost, excluding ingredients		Cost, including ingredients		Cost, excluding ingredients	
	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple
Under 1,687,500	L	H	L	H	L	H	L	H
1,687,500 to 2,531,250	L	H	L	H	L	H	L	H
2,531,250 to 3,796,875	L	H	L	H	L	H	L	H
3,796,875 to 5,695,312	L	H	L	H	L	H	L	H
5,695,312 to 8,542,968	H	L	H	L	L	H	L	H
8,542,968 to 12,814,452	H	L	H	L	H	L	H	L
12,814,452 to 19,221,678	H	L	H	L	H	L	H	L
19,221,678 to 28,832,517	H	L	H	L	H	L	H	L
28,832,517 to 43,248,775	H	L	H	L	H	L	H	L

	1924				1925			
	Cost, including ingredients		Cost, excluding ingredients		Cost, including ingredients		Cost, excluding ingredients	
	Single	Multiple	Single	Multiple	Single	Multiple	Single	Multiple
Under 1,687,500	L	H	L	H	L	H	L	H
1,687,500 to 2,531,250	L	H	L	H	L	H	L	H
2,531,250 to 3,796,875	L	H	L	H	L	H	L	H
3,796,875 to 5,695,312	L	H	L	H	L	H	L	H
5,695,312 to 8,542,968	H	L	H	L	L	H	L	H
8,542,968 to 12,814,452	H	L	H	L	H	L	H	L
12,814,452 to 19,221,678	H	L	H	L	H	L	H	L
19,221,678 to 28,832,517	H	L	H	L	H	L	H	L
28,832,517 to 43,248,775	H	L	H	L	H	L	H	L

[1] H indicates that the group is higher. L indicates that the group is lower.

TABLE 20.—*Comparative costs of 20 chain store bakeries, and 20 lowest-cost wholesale bakeries of corresponding size in 1925*

[Cents per pound]

	Number of plants		Average bread production (pounds)		Sales realization		Flour cost	
	Wholesale	Chain stores	Wholesale	Chain stores	Wholesale	Chain stores	Wholesale	Chain stores
Under $2,500,000	2	2	1,154,290	2,067,658	6.704	6.000	2.572	2.753
$2,500,000 to $5,000,000	3	3	3,809,183	3,810,820	7.433	6.100	2.216	2.908
$5,000,000 to $10,000,000	3	3	7,314,987	7,498,019	6.740	5.848	2.596	2.330
$10,000,000 to $15,000,000	4	4	13,573,660	12,177,583	6.680	7.764	2.584	2.923
$15,000,000 to $20,000,000	5	5	17,617,101	17,408,755	7.396	6.570	2.598	2.750
Over $20,000,000	3	3	23,781,997	26,913,437	7.629	6.606	2.720	2.779
Total	20	20	12,470,361	12,727,812	7.244	6.715	2.612	2.762

	Other ingredient cost		Total ingredient cost		Manufacturing expense		Cost to doors	
	Wholesale	Chain stores	Wholesale	Chain stores	Wholesale	Chain stores	Wholesale	Chain stores
Under $2,500,000	0.804	1.074	3.376	3.827	1.565	1.522	4.941	5.349
$2,500,000 to $5,000,000	.754	1.035	2.970	3.943	2.016	1.601	4.986	5.544
$5,000,000 to $10,000,000	.723	.977	3.319	3.307	1.471	1.501	4.790	4.808
$10,000,000 to $15,000,000	.788	.945	3.372	3.868	1.315	1.321	4.687	5.189
$15,000,000 to $20,000,000	.791	1.110	3.389	3.860	1.280	1.288	4.669	5.148
Over $20,000,000	.836	.804	3.556	3.583	1.210	.974	4.766	4.557
Total	.796	.965	3.408	3.727	1.320	1.231	4.728	4.958

	Selling and delivery expense		General and administrative expense		Total cost		Margin of profit	
	Wholesale	Chain stores	Wholesale	Chain stores	Wholesale	Chain sotres	Wholesale	Chain stores
Under $2,500,000	1.030	0.428	0.183	.....	6.154	5.777	0.550	0.223
$2,500,000 to $5,000,000	.949	.530	.186	.....	6.121	6.074	1.312	.026
$5,000,000 to $10,000,000	1.274	.556	.115	.....	6.179	5.364	.561	.484
$10,000,000 to $15,000,000	1.274	.586	.173	.....	6.134	5.775	.546	1.989
$15,000,000 to $20,000,000	1.196	.632	.141	.....	6.006	5.780	1.390	.790
Over $20,000,000	1.162	.667	.167	.....	6.095	5.224	1.534	1.382
Total	1.197	.620	.156	.....	6.081	5.578	1.163	1.137

TABLE 21.—*Investment, income and rate of return for certain flour-milling companies, 1923 to 1926. (Compiled from "Poor's" and other published reports)*

	Capital stock and surplus [1]	Net income [2]	Annual rate of return	Year ended
1923			*Per cent*	
Washburn-Crosby Co	[3] $18,422,002	$1,228,182	6.67	July 31
Standard Milling Co	28,545,304	1,022,152	3.58	Aug. 31
Globe Grain & Milling Co	13,140,681	682,606	5.19	June 30
Sperry Flour Co	9,180,276	561,075	6.11	June 30
International Milling Co	5,619,825	371,829	6.62	Aug. 31
Total, 5 identical companies	74,908,088	3,865,844	5.16	
Kansas Flour Mills Co	7,540,878	227,160	3.01	May 31
Pillsbury Flour Mills Co	[4] 12,829,187	[5] 490,457	4.59	[6] June 30
Total, all companies	95,278,153	4,583,461	4.91	
1924				
Washburn-Crosby Co	18,408,607	2,210,044	12.01	July 31
Standard Milling Co	28,689,655	1,047,355	3.65	Aug. 31
Globe Grain & Milling Co	12,485,364	593,982	4.76	June 30
Sperry Flour Co	11,920,059	423,115	3.55	June 30
International Milling Co	6,990,667	671,486	9.61	Aug. 31
Total, 5 identical companies	78,494,352	4,945,982	6.30	
Kansas Flour Mills Co	7,586,751	180,824	2.38	May 31
Pillsbury Flour Mills Co	12,793,385	[5] 649,503	5.08	June 30
Total, all companies	98,874,488	5,776,309	5.84	
1925				
Washburn-Crosby Co	18,390,857	1,854,990	11.00	[6] June 30
Standard Milling Co	27,688,590	1,640,811	5.93	Aug. 31
Globe Grain & Milling Co	12,418,624	321,409	2.59	June 30
Sperry Flour Co	11,126,678	705,539	6.34	June 30
International Milling Co	7,355,763	759,857	10.33	Aug. 31
Total, 5 identical companies	76,980,512	5,282,606	7.08	
Kansas Flour Mills Co	7,818,725	721,069	9.22	May 31
Pillsbury Flour Mills Co.[6]	.....	.....	.....	
Total, all companies	84,799,237	6,003,675	7.28	
1926 [7]				
Washburn-Crosby Co	18,290,333	1,435,725	7.85	June 30
Standard Milling Co	26,025,693	1,242,815	5.73	[8] June 30
Globe Grain & Milling Co	12,129,772	447,158	3.69	June 30
Sperry Flour Co	10,167,347	455,147	4.48	June 30
International Milling Co	7,796,430	995,463	12.76	Aug. 31
Total, 5 identical companies	74,412,575	4,576,308	6.48	
Pillsbury Flour Mills Co	13,847,810	1,597,255	11.53	June 30
Kansas Flour Mills Co.[6]	.....	.....	.....	
Total, all companies	88,260,385	6,173,563	7.28	

[1] Mean for year.
[2] After deducting interest, bond discount and Federal income taxes, when shown.
[3] Computed from listing statement furnished New York Stock Exchange by Washburn-Crosby Co Jan. 29, 1924.
[4] Computed from investment at end of year, earnings for year, and dividends paid.
[5] Pillsbury Flour Mills Co.'s income for 1923 and 1924, includes Pillsbury Flour Mills Co. and Pillsbury-Washburn Mills Co. (Ltd.), but excludes Island Warehouse Corporation, also Minneapolis Mills Co. and St. Anthony Falls Water Power Co., former subsidiaries of Pillsbury-Washburn Flour Mills Co. (Ltd.).
[6] Investment and income not shown in Poor's published reports.
[7] All data for 1926 obtained from Poor's published Cumulative Daily Digest reports.
[8] Ten months.
[9] Eleven months.

TABLE 22.—*Investment, net income, and rate of return of 90 milling companies for the two years 1923 and 1924*

[Crop and calendar years combined]

Year	Sales of wheat flour	Milling business			Entire business		
	Barrels	Investment	Net income	Rate of return	Investment	Net income	Rate of return
				Per cent			*Per cent*
1923	29, 184, 810	$96, 611, 305	$7, 181, 243	7. 4	$109, 291, 757	$8, 205, 013	7. 5
1924	30, 072, 320	98, 840, 598	7, 040, 185	7. 1	110, 790, 064	8, 930, 563	8. 1
Average	29, 628, 565	97, 725, 951	7, 110, 714	7. 3	110, 040, 910	8, 567, 788	7. 8

Year	Stockholders' equity in entire business			Stockholders' equity in milling business		
	Investment	Net income	Rate of return	Investment	Net income	Rate of return
			Per cent			*Per cent*
1923	$80, 772, 204	$6, 547, 513	8. 1	$68, 091, 752	$5, 523, 743	8. 1
1924	83, 102, 983	7, 353, 681	8. 8	71, 153, 517	5, 463, 303	7. 7
Average	81, 937, 593	6, 950, 597	8. 5	69, 622, 634	5, 493, 523	7. 9

TABLE 23.—*Value and cost of wheat-flour sales and net income of 90 milling companies for the two years 1923 and 1924*

[Crops and calender years combined]

Year	Value of wheat flour sold		Cost of wheat flour sold		Net income from milling business		Add gain from outside investments	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
1923	$172, 425, 618	$5. 91	$165, 244, 375	$5. 66	$7, 181, 243	$0. 25	$1, 023, 770	$0. 03
1924	173, 295, 955	5. 76	166, 255, 770	5. 53	7, 040, 185	. 23	1, 890, 378	. 06
Average	172, 860, 786	5. 83	165, 750, 072	5. 59	7, 110, 714	. 24	1, 457, 074	. 05

Year	Net income from entire business		Deduct interest on bonds and borrowed money		Net income for stockholders' equity in entire business		Deduct gain on outside investments		Net income for stockholders' equity in milling business	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
1923	$8, 205, 013	$0. 28	$1, 657, 500	$0. 06	$6, 547, 513	$0. 22	$1, 023, 770	$0. 03	$5, 523, 743	$0. 19
1924	8, 930, 563	. 29	1, 576, 882	. 05	7, 353, 681	. 24	1, 890, 378	. 06	5, 463, 303	. 18
Average	8, 567, 788	. 29	1, 617, 191	. 05	6, 950, 597	. 24	1, 457, 074	. 05	5, 493, 523	. 19

TABLE 24.—*Investment of 90 milling companies for two years, 1923 and 1924*

[Crop and calendar years combined]

Year	Sales of wheat flour (barrels)	Investment in milling business		Add investment in outside business		Investment in entire business	
		Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
1923	29, 184, 810	$96, 611, 305	$3. 31	$12, 680, 452	$0. 43	$109, 291, 757	$3. 74
1924	30, 072, 320	98, 840, 598	3. 29	11, 949, 466	. 39	110, 790, 064	3. 68
Average	29, 628, 565	97, 725, 951	3. 30	12, 314, 959	. 41	110, 040, 910	3. 71

Year	Deduct bonds and borrowed money		Stockholders' equity in entire business		Deduct investment in outside business		Stockholders' equity in milling business	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
1923	$28, 519, 553	$0. 98	$80, 772, 204	$2. 76	$12, 680, 452	$0. 43	$68, 091, 752	$2. 33
1924	27, 687, 081	. 92	83, 102, 983	2. 76	11, 949, 466	. 39	71, 153, 517	2. 37
Average	28, 103, 317	. 95	81, 937, 593	2. 76	12, 314, 959	. 41	69, 622, 634	2. 35

TABLE 25.—*Investment, net income, and rate of return of 90 milling companies, shown for 44 companies closing their books at the end of the two crop years, 1922–23 and 1923–24, and for 46 companies closing their books at the end of the two calendar years 1923 and 1924*

	Sales of wheat flour (barrels)	Milling business			Entire business		
		Investment (amount)	Net income		Investment (amount)	Net income	
			Amount	Rate		Amount	Rate
				Per cent			*Per cent*
Crop year 1923	22, 902, 087	$78, 161, 430	$6, 248, 040	8. 0	$89, 147, 915	$7, 200, 033	8. 1
Calendar year 1923	6, 282, 723	18, 449, 875	933, 203	5. 1	20, 143, 842	1, 004, 980	5. 0
Average	29, 184, 810	96, 611, 305	7, 181, 243	7. 4	109, 291, 757	8, 205, 013	7. 5
Crop year 1924	22, 966, 825	79, 394, 820	4, 929, 452	6. 2	90, 135, 793	6, 770, 521	7. 5
Calendar year 1924	7, 105, 495	19, 445, 778	2, 110, 733	10. 9	20, 654, 271	2, 160, 042	10. 5
Average	30, 072, 320	98, 840, 598	7, 040, 185	7. 1	110, 790, 064	8, 930, 563	8. 1

	Stockholders' equity in entire business			Stockholders' equity in milling business		
	Investment (amount)	Net income		Investment (amount)	Net income	
		Amount	Rate		Amount	Rate
			Per cent			*Per cent*
Crop year 1923	$66, 480, 401	$5, 936, 998	8. 9	$55, 493, 916	$4, 985, 005	9. 0
Calendar year 1923	14, 291, 803	610, 515	4. 3	12, 597, 836	538, 738	4. 3
Average	80, 772, 204	6, 547, 513	8. 1	68, 091, 752	5, 523, 743	8. 1
Crop year 1924	68, 725, 548	5, 537, 905	8. 1	57, 984, 575	3, 696, 836	6. 4
Calendar year 1924	14, 377, 435	1, 815, 776	12. 6	13, 168, 942	1, 766, 467	13. 4
Average	83, 102, 983	7, 353, 681	8. 8	71, 153, 517	5, 463, 303	7. 7

TABLE 26.—*Value and cost of wheat-flour sales and net income of 90 milling companies, shown for 44 companies closing their books at the end of the two crop years 1922–23 and 1923–24, and for 46 companies closing their books at the end of the two calendar years 1923 and 1924*

	Value of wheat flour sold		Cost of wheat flour sold		Net income from milling business		Add gain from outside investments	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
Crop year 1923	$135,472,423	$5.91	$129,224,353	$5.64	$6,248,040	$0.27	$951,993	$0.04
Calendar year 1923	36,953,195	5.88	36,019,992	5.73	933,203	.15	71,777	.01
Average	172,425,618	5.91	165,244,375	5.66	7,181,243	.25	1,023,770	.03
Crop year 1924	127,555,697	5.55	122,626,245	5.34	4,929,452	.21	1,841,069	.08
Calendar year 1924	45,740,258	6.44	43,629,525	6.14	2,110,733	.30	49,309	.01
Average	173,295,955	5.76	166,255,770	5.53	7,040,185	.23	1,890,378	.06

	Net income from entire business		Deduct interest on bonds and borrowed money		Net income from stockholders' equity in entire business		Deduct gain on outside investments		Net income from stockholders' equity in milling business	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
Crop year 1923	$7,200,033	$0.31	$1,263,035	$0.05	$5,936,998	$0.26	$951,993	$0.04	$4,985,005	$0.22
Calendar year 1923	1,004,980	.16	394,465	.06	610,515	.10	71,777	.01	538,738	.09
Average	8,205,013	.28	1,657,500	.06	6,547,513	.22	1,023,770	.03	5,523,743	.19
Crop year 1924	6,770,521	.29	1,232,616	.05	5,537,905	.24	1,841,069	.08	3,696,836	.16
Calendar year 1924	2,160,042	.31	344,266	.05	1,815,776	.26	49,309	.01	1,766,467	.25
Average	8,930,563	.29	1,576,882	.05	7,353,681	.24	1,890,378	.06	5,463,303	.18

TABLE 27.—*Investment of 90 milling companies shown for 44 companies, closing their books at the end of the two crop years 1922–23 and 1923–24 and for 46 companies closing their books at the end of the two calendar years 1923 and 1924*

	Sales of wheat flour (barrels)	Investment in milling business		Add investment in outside business		Investment in entire business	
		Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
Crop year 1923	22,902,087	$78,161,430	$3.41	$10,986,485	$0.48	$89,147,915	$3.89
Calendar year 1923	6,282,723	18,449,875	2.94	1,693,967	.27	20,143,842	3.21
Average	29,184,810	96,611,305	3.31	12,680,452	.43	109,291,757	3.74
Crop year 1924	22,966,825	79,394,820	3.45	10,740,973	.47	90,135,793	3.92
Calendar year 1924	7,105,495	19,445,778	2.73	1,208,493	.17	20,654,271	2.90
Average	30,072,320	98,840,598	3.29	11,949,466	.39	110,790,064	3.68

TABLE 27.—*Investment of 90 milling companies shown for 44 companies, closing their books at the end of the two crop years 1922–23 and 1923–24 and for 46 companies closing their books at the end of the two calendar years 1923 and 1924*—Continued

	Deduct bonds and borrowed money		Stockholders' equity in entire business		Deduct investment in outside business		Stockholders' equity in milling business	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
Crop year 1923	$22,667,514	$0.99	$66,480,401	$2.90	$10,986,485	$0.48	$55,493,916	$2.42
Calendar year 1923	5,852,039	.93	14,291,803	2.28	1,693,967	.27	12,597,836	2.01
Average	28,519,553	.98	80,772,204	2.76	12,680,452	.43	68,091,752	2.33
Crop year 1924	21,410,245	.93	68,725,548	2.99	10,740,973	.47	57,984,575	2.52
Calendar year 1924	6,276,836	.88	14,377,435	2.02	1,208,493	.17	13,168,942	1.85
Average	27,687,081	.92	83,102,983	2.76	11,949,466	.39	71,153,517	2.37

TABLE 28.—*Investment, net income, and rate of return of 101 milling companies for the four years 1919 to 1922*

[Crop and calendar years combined]

Year	Sales of wheat flour	Milling business			Entire business		
		Investment	Net income	Rate of return	Investment	Net income	Rate of return
	Barrels			*Per cent*			*Per cent*
1919	50,057,008	$167,511,980	$23,350,110	13.9	$181,265,023	$24,362,876	13.4
1920	51,585,717	202,894,375	30,142,553	14.9	215,161,967	30,678,329	14.3
1921	47,061,412	164,697,057	2,587,601	1.6	176,785,756	3,465,091	2.0
1922	50,846,062	148,096,392	16,102,642	10.9	162,361,263	17,314,031	10.7
Average	49,887,550	170,799,951	18,045,726	10.6	183,893,502	18,955,082	10.3

Year	Stockholders' equity in entire business			Stockholders' equity in milling business		
	Investment	Net income	Rate of return	Investment	Net income	Rate of return
			Per cent			*Per cent*
1919	$108,716,031	$19,902,727	18.3	$94,962,988	$18,889,961	19.9
1920	119,224,326	24,897,853	20.9	106,956,734	24,362,077	22.8
1921	121,582,813	[2] 178,423	[2] .1	109,494,114	[2] 1,055,913	[2] 1.0
1922	117,971,362	14,742,006	12.5	103,706,491	13,530,617	13.0
Average	116,873,633	14,841,041	12.7	103,780,082	13,931,685	13.4

[1] In 1919 there were 101 companies, in 1920 there were 105 companies, in 1921 there were 107 companies and in 1922 there were 101 companies.
[2] Loss.

TABLE 29.—*Value and cost of wheat-flour sales and net income of 101 milling companies [1] for the four years 1919 to 1922*

[Crop and calendar years combined]

Year	Value of wheat flour sold		Cost of wheat flour sold		Net income from milling business		Add gain from outside investment	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
1919	$531,060,424	$10.61	$507,710,314	$10.14	$23,350,110	$0.47	$1,012,766	$0.02
1920	605,006,650	11.73	574,864,097	11.15	30,142,553	.58	535,776	.01
1921	427,175,507	9.08	424,587,906	9.02	2,587,601	.06	877,490	.02
1922	334,847,344	6.58	318,744,702	6.26	16,102,642	.32	1,211,389	.02
Average	474,522,481	9.51	456,476,755	9.15	18,045,726	.36	909,356	.02

Year	Net income from entire business		Deduct interest on bonds and borrowed money		Net income for stockholders' equity in entire business		Deduct gain on outside investments		Net income for stockholders' equity in milling business	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
1919	$24,362,876	$0.49	$4,460,149	$0.09	$19,902,727	$0.40	$1,012,766	$0.02	$18,889,961	$0.38
1920	30,678,329	.59	5,780,476	.11	24,897,853	.48	535,776	.01	24,362,077	.47
1921	3,465,091	.08	3,643,514	.08	[2] 178,423	(3)	877,490	.02	[2] 1,055,913	[2] .02
1922	17,314,031	.34	2,572,025	.05	14,742,006	.29	1,211,389	.02	13,530,617	.27
Average	18,955,082	.38	4,114,041	.08	14,841,041	.30	909,356	.02	13,931,685	.28

[1] In 1919 there were 101 companies, in 1920 there were 105 companies, in 1921 there were 107 companies, and in 1922 there were 101 companies.
[2] Loss.
[3] Loss of less than one-half of 1 per cent.

TABLE 30.—*Investment of 101 milling companies [1] for the four years 1919 to 1922*

[Crop and calendar years combined]

Year	Sales of wheat flour (barrels)	Investment in milling business		Add investment in outside business		Investment in entire business	
		Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
1919	50,057,008	$167,511,980	$3.35	$13,753,043	$0.27	$181,265,023	$3.62
1920	51,585,717	202,894,375	3.93	12,267,592	.24	215,161,967	4.17
1921	47,061,412	164,697,057	3.50	12,088,699	.26	176,785,756	3.75
1922	50,846,062	148,096,392	2.91	14,264,871	.28	162,361,263	3.19
Average	49,887,550	170,799,951	3.42	13,093,551	.27	183,893,502	3.69

Year	Deduct bonds and borrowed money		Stockholders' equity in entire business		Deduct investment in outside business		Stockholders' equity in milling business	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
1919	$72,548,992	$1.45	$108,716,031	$2.17	$13,753,043	$0.27	$94,962,988	$1.90
1920	95,937,641	1.86	119,224,326	2.31	12,267,592	.24	106,956,734	2.07
1921	55,202,943	1.17	121,582,813	2.59	12,088,699	.26	109,494,114	2.33
1922	44,389,901	.87	117,971,362	2.32	14,264,871	.28	103,706,491	2.04
Average	67,019,869	1.34	116,873,633	2.35	13,093,551	.27	103,780,082	2.08

[1] In 1919 there were 101 companies, in 1920 there were 105 companies, in 1921 there were 107 companies, and in 1922 there were 101 companies.

TABLE 31.—*Investment, net income, and rate of return of 47 milling companies for the six years, 1919 to 1924*

(Crop and calendar years combined)

Year	Sales of wheat flour	Milling business			Entire business		
		Investment	Net income	Rate of return	Investment	Net income	Rate of return
	Barrels			*Per ct.*			*Per ct.*
1919	20,277,136	$76,825,148	$10,646,582	13.9	$86,140,644	$11,536,728	13.4
1920	21,871,486	92,824,532	14,794,591	15.9	101,398,908	15,192,381	15.0
1921	18,693,899	73,721,501	2,162,736	2.9	82,828,683	2,938,139	3.5
1922	20,415,162	71,580,915	6,483,589	9.1	82,774,003	7,568,328	9.1
1923	22,080,436	75,700,504	5,876,600	7.8	87,564,822	6,868,265	7.8
1924	22,511,522	77,578,957	5,318,652	6.9	88,792,660	7,193,446	8.1
Average	20,974,940	78,038,593	7,547,125	9.7	88,249,953	8,549,548	9.7

Year	Stockholders' equity in entire business			Stockholders' equity in milling business		
	Investment	Net income	Rate of return	Investment	Net income	Rate of return
			Per ct.			*Per ct.*
1919	$54,267,816	$9,524,816	17.6	$44,952,320	$8,634,276	19.2
1920	59,768,118	12,755,830	21.3	51,193,742	12,358,040	24.1
1921	62,502,149	1,622,273	2.6	53,394,967	846,870	1.6
1922	62,380,416	6,214,828	9.9	51,187,328	5,130,089	10.0
1923	64,803,641	5,605,060	8.6	52,939,323	4,613,395	8.7
1924	66,777,912	5,948,898	8.9	55,564,209	4,074,104	7.3
Average	61,759,009	6,945,219	11.2	51,538,649	5,942,796	11.5

TABLE 32.—*Value of wheat-flour sales and net income of 47 milling companies for the six years 1919 to 1924*

(Crop and calendar years combined)

Year	Value of wheat flour sold		Cost of wheat flour sold		Net income from milling business		Add gain from outside investments	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
1919	$214,789,075	$10.59	$204,142,493	$10.06	$10,646,582	$0.53	$890,146	$0.04
1920	256,626,316	11.73	241,831,725	11.05	14,794,591	.68	397,700	.02
1921	172,605,117	9.24	170,442,381	9.12	2,162,736	.12	775,403	.04
1922	137,396,133	6.73	130,912,544	6.41	6,483,589	.32	1,084,739	.05
1923	131,556,860	5.96	125,680,260	5.69	5,876,600	.27	991,665	.04
1924	129,375,836	5.75	124,057,184	5.51	5,318,652	.24	1,874,794	.08
Average	173,724,889	8.28	166,177,764	7.92	7,547,125	.36	1,002,423	.05

Year	Net income from entire business		Deduct interest on bonds and borrowed money		Net income from stockholders' equity in entire business		Deduct gain on outside investment		Net income from stockholders' equity in milling business	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
1919	$11,536,728	$0.57	$2,012,306	$0.10	$9,524,422	$0.47	$890,146	$0.04	$8,634,276	$0.43
1920	15,192,381	.70	2,436,551	.11	12,755,830	.59	397,790	.02	12,358,040	.57
1921	2,938,139	.16	1,315,866	.07	1,622,273	.09	775,403	.04	846,870	.05
1922	7,568,328	.37	1,353,500	.07	6,214,828	.30	1,084,739	.05	5,130,089	.25
1923	6,868,265	.31	1,263,205	.06	5,605,060	.25	991,665	.04	4,613,395	.21
1924	7,193,446	.32	1,244,548	.06	5,948,898	.26	1,874,794	.08	4,074,104	.18
Average	8,549,548	.41	1,604,320	.08	6,945,219	.33	1,002,423	.05	5,942,796	.28

TABLE 33.—*Investment of 47 milling companies for six years, 1919 to 1924*

[Crop and calendar years combined]

Year	Sales of wheat flour	Investment in milling business		Add investment in outside business		Investment in entire business	
		Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
	Barrels						
1919	20,277,136	$76,825,148	$3.79	$9,315,496	$0.46	$86,140,644	$4.25
1920	21,871,486	92,824,532	4.24	8,574,376	.39	101,398,908	4.63
1921	18,693,899	73,721,501	3.94	9,107,182	.49	82,828,683	4.43
1922	20,415,162	71,580,915	3.50	11,193,088	.55	82,774,003	4.05
1923	22,080,436	75,700,504	3.43	11,864,318	.54	87,564,822	3.97
1924	22,511,522	77,578,957	3.45	11,213,703	.49	88,792,660	3.94
Average	20,974,940	78,038,593	3.72	10,211,360	.49	88,249,953	4.21

Year	Deduct bonds and borrowed money		Stockholders' equity in entire business		Deduct investment in outside business		Stockholders' equity in milling business	
	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel	Amount	Per barrel
1919	$31,872,828	$1.57	$54,267,816	$2.68	$9,315,296	$0.46	$44,952,320	$2.22
1920	41,630,790	1.90	59,768,118	2.73	8,574,376	.39	51,193,742	2.34
1921	20,326,534	1.09	62,502,149	3.34	9,107,182	.49	53,394,967	2.85
1922	20,393,587	.99	62,380,416	3.06	11,193,088	.55	51,187,328	2.51
1923	22,761,181	1.03	64,803,641	2.94	11,864,318	.54	52,939,323	2.40
1924	22,014,748	.98	66,777,912	2.96	11,213,703	.49	55,564,209	2.47
Average	26,499,944	1.26	61,750,009	2.95	10,211,360	.49	51,538,649	2.46

TABLE 34.—*Net cost of manufacturing flour per barrel for 90 companies, arranged from low to high, 1923*

Company No.	Cost per barrel	Company No.	Cost per barrel	Company No.	Cost per barrel	Company No.	Cost per barrel	Company No.	Cost per barrel
1	$4.41	19	$4.96	37	$5.41	55	$5.74	73	$6.03
2	4.48	20	4.99	38	5.42	56	5.74	74	6.12
3	4.60	21	5.05	39	5.42	57	5.74	75	6.25
4	4.63	22	5.07	40	5.46	58	5.76	76	6.32
5	4.65	23	5.14	41	5.48	59	5.77	77	6.37
6	4.68	24	5.14	42	5.50	60	5.77	78	6.37
7	4.70	25	5.20	43	5.53	61	5.79	79	6.37
8	4.76	26	5.20	44	5.54	62	5.80	80	6.45
9	4.78	27	5.21	45	5.54	63	5.82	81	6.50
10	4.79	28	5.29	46	5.56	64	5.84	82	6.70
11	4.81	29	5.29	47	5.57	65	5.87	83	6.75
12	4.85	30	5.32	48	5.60	66	5.90	84	6.88
13	4.86	31	5.33	49	5.63	67	5.93	85	7.00
14	4.87	32	5.36	50	5.63	68	5.94	86	7.35
15	4.92	33	5.36	51	5.63	69	5.99	87	7.39
16	4.94	34	5.37	52	5.68	70	6.00	88	7.39
17	4.95	35	5.40	53	5.71	71	6.02	89	7.42
18	4.96	36	5.40	54	5.73	72	6.02	90	7.46

TABLE 35.—*Net cost of manufacturing flour per barrel, for 90 companies, arranged from low to high, 1924*

Company No.	Cost per barrel	Company No.	Cost per barrel	Company No.	Cost per barrel	Company No.	Cost per barrel	Company No.	Cost per barrel
1	$4.13	19	$5.03	37	$5.36	55	$5.81	73	$6.27
2	4.27	20	5.04	38	5.36	56	5.84	74	6.27
3	4.37	21	5.05	39	5.37	57	5.88	75	6.29
4	4.41	22	5.07	40	5.38	58	5.89	76	6.29
5	4.46	23	5.08	41	5.42	59	5.96	77	6.46
6	4.50	24	5.13	42	5.44	60	6.05	78	6.50
7	4.50	25	5.18	43	5.46	61	6.05	79	6.55
8	4.58	26	5.21	44	5.47	62	6.07	80	6.61
9	4.59	27	5.21	45	5.47	63	6.10	81	6.62
10	4.72	28	5.21	46	5.49	64	6.10	82	6.74
11	4.78	29	5.22	47	5.53	65	6.10	83	6.76
12	4.79	30	5.25	48	5.57	66	6.11	84	6.80
13	4.80	31	5.32	49	5.61	67	6.12	85	6.84
14	4.91	32	5.32	50	5.65	68	6.13	86	6.93
15	4.91	33	5.33	51	5.67	69	6.13	87	7.42
16	4.95	34	5.33	52	5.72	70	6.17	88	7.48
17	4.98	35	5.33	53	5.73	71	6.21	89	7.68
18	5.01	36	5.34	54	5.80	72	6.21	90	8.58

TABLE 36.—*Character of purchases of wheat reported by 198 wheat-flour milling companies for mill year 1915–16* [1]

[This table is taken from the commission's report, "The Grain Trade", Vol. III, p. 332]

Areas and States	Number of companies	Number of mills	Total country and terminal purchases		Total country purchases		Total terminal purchases		Country purchases										Terminal purchases					
									Bought through own elevators		Bought on track from farmers		Bought on track from country elevators		Bought from interior brokers		Bought on exchange floor by own organization		Bought through terminal brokers		Bought from terminal dealers and shippers		Bought from terminal elevators	
			Cars	Per cent	Cars	Per cent	Cars	Per cent	Cars	Per cent	Cars	Per cent	Cars	Per cent	Cars	Per cent	Cars	Per cent	Cars	Per cent	Cars	Per cent	Cars	Per cent
Northwestern area	34	60	98,131	100.0	20,975	21.4	77,156	78.6	7,113	7.3	1,105	1.1	12,552	12.8	205	0.2	58,380	59.5	10,219	10.4	7,722	7.9	835	0.8
Minnesota	27	50	92,918	100.0	16,721	18.0	76,197	82.0	5,114	5.5	949	1.0	10,556	11.4	102	.1	57,713	62.1	9,927	10.7	7,722	8.3	835	.9
North Dakota	1	1	595	100.0	595	100.0	-------	-------	86	14.5	-------	-------	509	85.5	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------
Montana	2	3	2,871	100.0	2,871	100.0	-------	-------	1,675	58.3	84	2.9	1,105	38.5	7	.3	-------	-------	-------	-------	-------	-------	-------	-------
Wyoming	1	1	309	100.0	309	100.0	-------	-------	226	73.1	66	21.4	17	5.5	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------
Iowa	3	5	1,438	100.0	479	33.3	959	66.7	12	.8	6	.4	365	25.4	96	6.7	667	46.4	292	20.3	-------	-------	-------	-------
Southwestern area	70	100	84,068	100.0	57,431	68.3	26,637	31.7	20,964	24.9	5,504	6.6	19,663	23.4	11,300	13.4	18,489	22.0	2,914	3.5	4,526	5.4	708	.8
Kansas	35	37	35,296	100.0	24,712	70.0	10,584	30.0	8,726	24.7	1,122	3.2	6,586	18.6	8,278	23.5	7,593	21.5	975	2.8	1,574	4.5	442	1.2
Nebraska	5	6	4,592	100.0	4,313	93.9	279	6.1	1,929	42.0	539	11.7	1,830	39.9	15	.3	-------	-------	71	1.6	208	4.5	-------	-------
Oklahoma	5	5	4,495	100.0	4,250	94.5	245	5.5	2,711	60.3	-------	-------	1,458	32.4	81	1.8	-------	-------	175	3.9	-------	-------	70	1.6
Missouri	14	17	17,067	100.0	2,318	13.6	14,749	86.4	842	4.9	141	.8	1,204	7.1	131	.8	10,896	63.8	1,541	9.0	2,295	13.5	17	.1
Colorado	2	[2] 26	9,352	100.0	9,352	100.0	-------	-------	4,422	47.3	3,328	35.6	1,602	17.1	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------
Texas	9	9	13,266	100.0	12,486	94.1	780	5.9	2,334	17.6	374	2.8	6,983	52.6	2,795	21.1	-------	-------	152	1.1	449	3.4	179	1.4
Pacific coast area	19	42	33,034	100.0	18,884	57.2	14,150	42.8	5,970	18.1	2,978	9.0	5,465	16.6	4,471	13.5	198	.6	1,593	4.8	12,334	37.3	25	.1
Washington and Oregon	16	24	19,840	100.0	12,409	62.66	7,431	37.4	5,592	28.2	1,838	9.3	4,042	20.4	937	4.7	-------	-------	1,253	6.3	6,178	31.1	-------	-------
California	3	[3] 18	13,194	100.0	6,475	49.1	6,719	50.9	378	2.9	1,140	8.6	1,423	10.8	3,534	26.8	198	1.5	340	2.6	6,156	46.6	25	.2
Eastern area	20	28	23,011	100.0	6,220	27.0	16,791	73.0	4	(4)	814	3.5	4,997	21.7	405	1.8	6,696	29.1	2,958	12.9	7,129	31.0	8	(4)
New York	10	12	13,776	100.0	694	5.0	13,082	95.0	4	(4)	83	.6	502	3.6	105	.8	5,534	40.2	2,186	15.9	5,354	38.8	8	.1
Pennsylvania	2	5	3,048	100.0	967	31.7	2,081	68.3	-------	-------	198	6.5	569	18.7	200	6.5	-------	-------	772	25.3	1,309	43.0	-------	-------
Maryland	3	5	1,998	100.0	696	34.8	1,302	65.2	-------	-------	331	16.5	365	18.3	-------	-------	1,162	58.2	-------	-------	140	7.0	-------	-------
Virginia	3	4	3,063	100.0	2,863	93.5	200	6.5	-------	-------	168	5.5	2,595	84.7	100	3.3	-------	-------	-------	-------	200	6.5	-------	-------
North Carolina	2	2	1,126	100.0	1,000	88.8	126	11.2	-------	-------	34	3.0	966	85.8	-------	-------	-------	-------	-------	-------	126	11.2	-------	-------
Central area	53	67	56,161	100.0	23,054	41.0	33,107	59.0	2,916	5.2	2,194	3.9	17,123	30.4	821	1.5	11,209	20.0	5,052	9.0	13,519	24.1	3,327	5.9
Wisconsin	4	5	4,443	100.0	225	5.0	4,218	95.0	32	.7	-------	-------	193	4.3	-------	-------	790	17.8	1,816	40.9	1,612	36.3	-------	-------
Michigan	6	11	4,891	100.0	2,858	58.4	2,033	41.6	50	1.0	22	.4	2,723	55.7	63	1.3	-------	-------	700	14.3	366	7.5	967	19.8
Illinois	17	19	15,768	100.0	2,681	17.0	13,087	83.0	1,643	10.4	479	3.1	554	3.5	5	(4)	9,334	59.2	768	4.9	2,512	15.9	473	3.0
Indiana	8	10	8,013	100.0	4,070	50.9	3,943	49.1	541	6.8	102	1.3	3,427	42.8	-------	-------	524	6.5	833	10.4	2,175	27.1	411	5.1
Ohio	8	9	9,621	100.0	5,928	61.6	3,693	38.4	612	6.4	185	1.9	5,114	53.1	17	.2	539	5.6	-------	-------	2,097	21.8	1,057	11.0
Kentucky	5	6	6,752	100.0	3,121	46.2	3,631	53.8	38	.6	550	8.1	2,144	31.7	389	5.8	-------	-------	477	7.1	2,735	40.5	419	6.2
Tennessee	5	7	6,673	100.0	4,171	62.5	2,502	37.5	-------	-------	856	12.8	2,968	44.5	347	5.2	22	.3	458	6.9	2,022	30.3	-------	-------
Georgia	2	2	1,168	100.0	88	7.5	1,080	92.5	4	.3	1	.1	83	7.1	-------	-------	-------	-------	-------	-------	1,055	90.3	25	2.2
All companies	198	[5] 299	295,573	100.0	126,652	42.8	168,921	57.2	36,971	12.5	12,596	4.3	59,883	20.02	17,202	5.8	94,972	32.1	22,736	7.7	46,285	15.7	4,928	1.7

[1] The difficulty of making clearly distinctive definitions for classifying purchases of wheat according to the circumstances of purchase, makes it undesirable to base general conclusions on the rather complicated classification presented in this table. The great differences under which mills operate in the same State also make it quite uncertain as to whether purchases reported in any given State are typical of all purchases by mills doing a considerable commercial business in that State. The intrinsic importance of the data, however, is such as to warrant their presentation for reference by expert students.

[2] Some of the mills included in this number are located in Kansas, Utah, and Idaho, and some were not purchased by the present owners till 1917.

[3] These mills include a few in other States and a few cereal mills.

[4] Less than one-tenth of 1 per cent.

[5] This number includes a few corn or cereal mills.

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